Nation's Business
USEFUL LOOK AHEAD
OCTOBER 1963

oardwalks to barbecue pits...

LOOK WHAT YOUR FEDERAL TAXES BUY

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Nation's Business

October 1963 Vol. 51 No. 10
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Washington, D.C.

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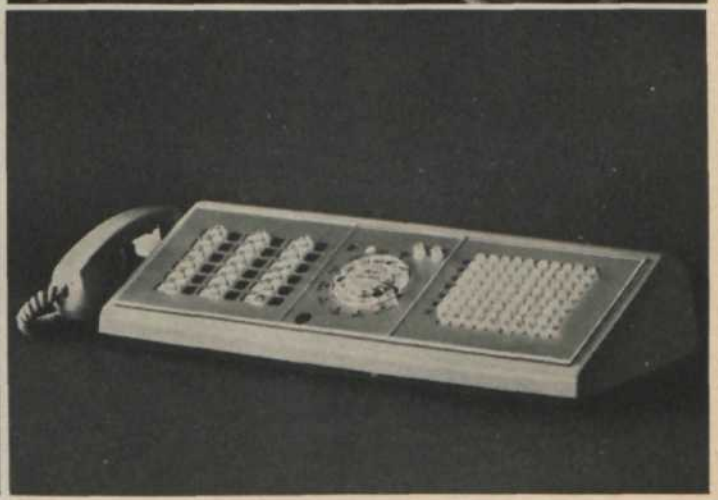
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WASHINGTON **BUSINESS OUTLOOK**

Statistical bogeyman spooks some forecasters.

Reason is this:

Current business expansion is beginning to defy law of averages.

Growth periods since World War II average 32 months.

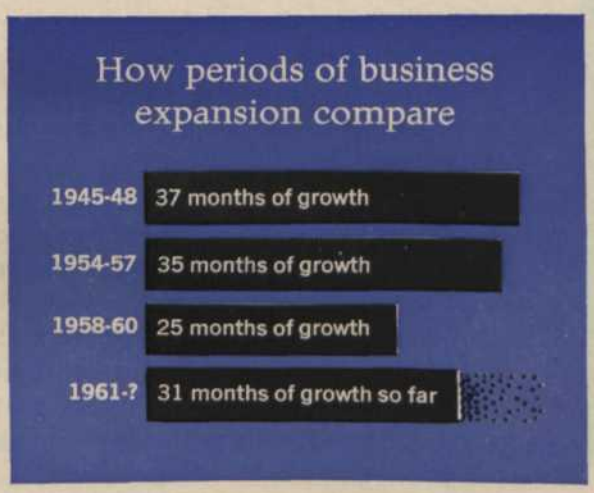
October is 32nd month of present growth period.

Each growth period has been shorter than the previous one—until now.

Current cycle is already half a year older than the last.

Economists know such statistical averages are short on validity.

Still they're carefully watching some economic straws in the wind that indicate this cycle is aging.



Though outlook on most scores adds up to more expansion to come, many think that the economy will begin running out of oomph by next summer.

Some are sure it will if Congress doesn't act soon enough on tax reduction.

Best three months in business history are just around the corner.

That's how '63 will end—biggest over-all volume, best profit opportunity for business as a whole, most industries sharing in this prosperity.

Then comes '64—with opportunity to set new business records, statistical spooks notwithstanding.

It'll be a good year, business moving ahead on sound footing.

Economist Marcus Nadler, of New York University Graduate School of Business, sees the future this way:

"The outlook depends to a great degree on the stimulus derived from pending tax legislation.

"Without such a stimulus," he adds, "the economy could show a decline."

His views are detailed on page 31.

Will taxes be cut? Yes, as previously forecast by Nation's Business.

That continues to be best educated guess, view of experts, congressmen, congressional staff, people with daily contacts on Capitol Hill.

Over-all prediction is that there will be a tax bill passed before Christmas.

Economists in Washington are working with assumption that reduction will affect income and profits throughout '64.

"That's only thing we can do," one of them tells Nation's Business.

"If tax cut fails," he says, "once it becomes clear that reduction won't be voted in time to influence the 1964 economy, all our forecasts will be thrown into a cocked hat—and we simply can't figure how things would turn out."

Output and sales will rise, say the trend watchers. With lower taxes in '64, these predic-

tions are realistic expectations for the period ahead.

Bigger volume for furniture, appliances, household goods.

More sales of clothing, gasoline, books and magazines, patios and recreation rooms, lawn furniture, grass seed, food, travel.

More swim suits, ski boots, TV, radio sets, record players.

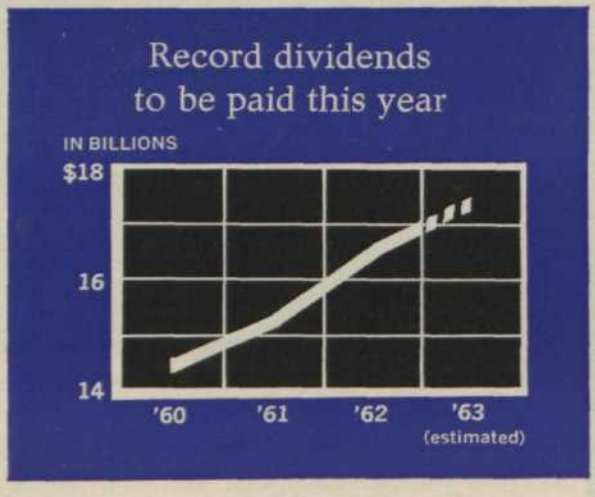
And so on—most industries sharing prosperity.

Personal expenditures for goods and services are expected to rise by at least $9 billion.

Could be as much as $11 billion increase.

There's more good news ahead for shareowners.

Profits keep rising and dividends are headed toward another peak—in dollars, if not per cent of sales.



Chances are that total dividend payments this year will exceed $17.5 billion.

That's almost $1 billion higher than total for past year.

Specialists think this year's record will be followed by another next year.

Importance of dividends to personal income is growing.

Example: Survey by First National City Bank of New York shows that 66 of nation's 100 largest companies have more shareowners than employes.

Spread of ownership in American business, survey points out, "represents a resounding vote of confidence from the public."

Business investment may rise as much as six to eight per cent next year.

That's a distinct possibility, not a sure bet. Most decisions on investment plans for year ahead are to be made this month and next.

New plants and equipment are being put in place this year at a record pace.

First indications are that a good rise can be expected from this year's $39.1 billion.

Don't overlook future impact of government spending on your business—directly and indirectly, no matter what size or kind of company you operate.

There's bigger on-the-cuff spending ahead as Uncle Sam moves into fourth month of new fiscal period.

As trends unfold between now and next spring it'll become increasingly clear that another big deficit is forming.

Revenues for year will be higher than last. Collections from excise taxes, personal incomes and corporation earnings will assure that.

But federal spending also points upward—despite congressional efforts to whittle some programs.

Look for bigger spending increases to come in late winter and spring months.

Size of next deficit?

Nobody in Washington knows for sure at this time, but it's most likely to be bigger than

deficit for past year. Could be half again as high.

Deficit for four years ending next June is almost sure to top $25 billion.

Impact on business?

This kind of red-ink financing, economists explain, must be regarded as an inflationary pressure for the long run.

Some economists are beginning to worry again about prospect of new inflation to follow continuation of such federal deficits, now planned to run through '68.

Know what could happen to your costs if you suddenly were forced to pay double wages for overtime work?

Such a thing might happen in '64, although the issue is yet to be settled.

Congressional proposal being whooped up for possible passage next year would boost overtime pay from time and a half to double.

Dollar impact on many companies would be great.

One company official says:

"Had such a law been in effect during '62, our estimated additional costs would have totaled more than $2 million—total payroll increase of 7.6 per cent.

"It would have resulted in an increase of 23.5 per cent in overtime costs as such.

"These increased costs could not have been materially avoided through the hiring of additional employes."

Back of this issue in Congress is proposal that would shorten workweek from 40 hours to 35, overtime pay required for all additional hours of work.

House subcommittee, which previously has held public hearings on shorter workweek proposals, expects to take up this subject again this month.

Group is shooting for committee report to be issued by end of January, report to spell out what committee thinks Congress should pass in '64 regarding shorter workweek and/or overtime pay.

Man to watch in Washington: He wants more information about your business operations.

His name is William H. Orrick Jr.

He's new chief of U. S. Justice Department's Antitrust Division.

He says he will fully support legislative proposals that would give federal lawyers (he oversees work of more than 300 of them) the right to obtain company information now regarded as confidential.

Example: He believes more federal knowledge about earnings of your corporate divisions and specific products would be helpful in law enforcement.

Mr. Orrick formerly served as chief of the Justice Department's Civil Division, moved to a State Department post, returned last June to head antitrust work.

He's a graduate of Yale and University of California, has practiced law in his native San Francisco, served war duty in Pacific and Europe, left army as captain. In his home town and state he has been active in civic and bar associations. He'll be 48 this month.

As federal antitrust chief, does he think 75-year-old Sherman Act, 50-year-old Clayton Act, other laws need updating?

Will he pursue tougher or different law enforcement policies?

Will he expand his staff?

How does he feel about bigness in business?

Does he think businessmen in years ahead will see more or less federal regulation?

How does he feel about putting labor unions under antimonopoly laws?

Mr. Orrick answers these and other questions on page 39.

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Business opinion:

What government can do for America

"WHAT BUSINESS CAN DO FOR AMERICA" [September] is a perfect example of the thinking of a socialistic, paternal, bureaucratic government.

President Kennedy listed five common aims:

1. Getting our economy back to maximum operation.
2. Speeding our rate of growth.
3. Improving our competitive position in world markets.
4. Avoiding inflation.
5. Equalizing opportunity for all.

An article in reply—on "What Government Can Do for America"—might cover some of the following topics.

1. One of the first things that can be done to get our economy back to maximum operation is for government to set business free to do exactly that. This can be accomplished by removing massive, confiscatory taxes on individuals and businessmen. The tax situation has reached the point of absolute, utter absurdity. We are taxed today not by logical, clear, fair laws but rather by bureaucratic decisions and rulings.
2. If we want to speed our rate of growth, we must make it interesting and worth while for those with money to invest it in business. We must give the entrepreneur his chance. Today, anyone who goes into business for himself is merely going into a partnership with the federal government because half of everything he earns must go to the government to support bureaucracy. Our rate of growth would double if only government would get out of the way and merely let it happen.
3. We can improve our competitive position in world markets by preventing the government of the United States from underwriting businesses in other lands. As it is now, the federal government takes the life blood of American business and then uses the tax money to support foreign economies. This is like tearing the feathers from a bird and then ridiculing it for not being able to fly.
4. Mr. Kennedy suggests we avoid inflation and at the same time urges that we use deficit financing in operating the government. If there is any one thing that causes inflation, it is the fiscal insanity of the federal government of the United States. To prevent inflation, we must reduce the federal budget, balance the budget and pay off the debt of the United States. We must stop the depletion of our gold reserves even if this requires drastic action.
5. Every citizen of the United States has the opportunity to become what he wants to become. If anyone fails, it may be his own fault. You cannot legislate success. If you could, there would be no failures.

There are many more things the government can do for America. Every bureaucrat should be reminded that he is a public servant. His salary is being paid by the taxpayer. Too many bureaucrats have the mistaken notion that the taxpayer is the employe.

Government should stop doing everything it is now doing that competes with private business.

Government expenditures can be cut in many ways. A good place to start is to reduce the expense account of the President and his army of aides. All the senators and representatives should cut their expenses. A planned reduction in employes on the federal payroll should be started and kept up until the government is reduced to a sensible size.

If there is any one thing that is preventing this country from reaching the five common aims listed by the President, it is that we have too much government; too much government interference; and an insane, dishonest, irresponsible national fiscal policy.

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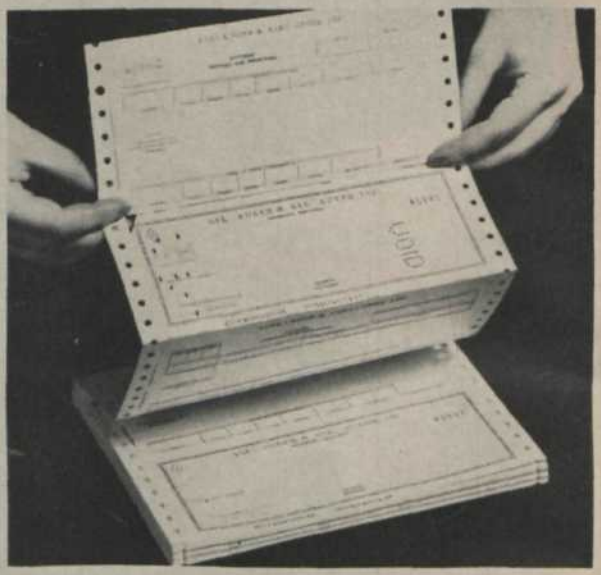
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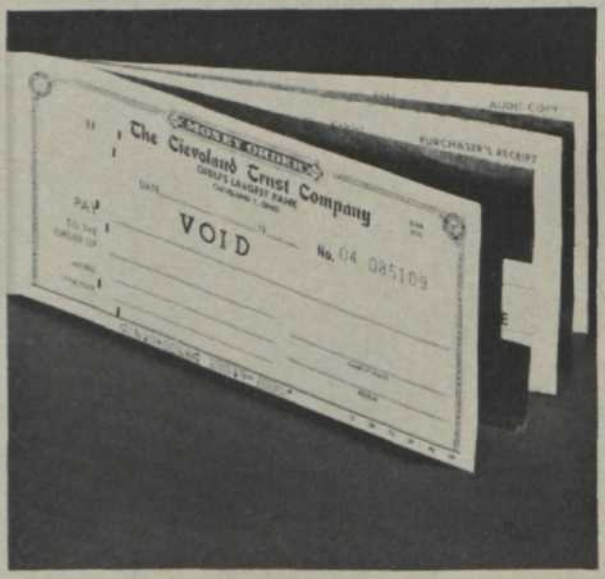
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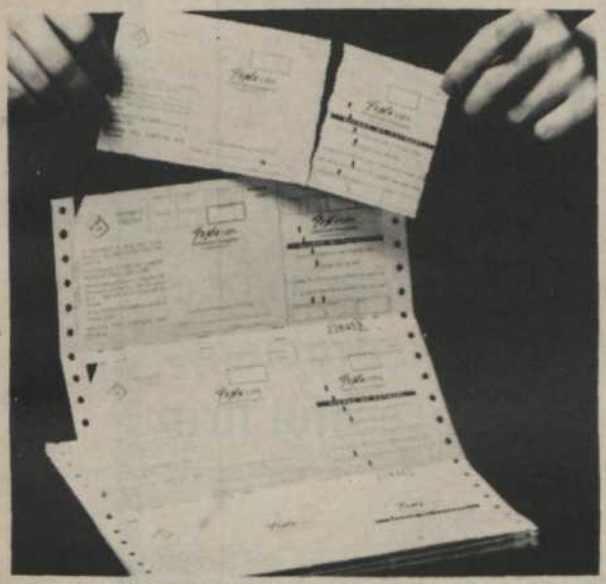
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Executive Trends

- What job-seekers can expect
- Game helps solve problems
- Traits of the successful firm

If you look for a new job in the near future, you're likely to find the going a lot stickier than it has been in the recent past.

Companies are getting choosier about whom they will hire, or even interview, for middle and top-level openings. Confirmation of this trend comes from professional recruiters, company personnel officers and job-seeking executives.

Recruiter Arthur R. Pell of New York says the more exacting requirements reflect cost and competitive pressures in business and the consequent need for more proficient managers.

Job-seekers are discovering that where once they were interviewed by one or two officers of a given company, they now face interviews with three or more, including men they would work with as well as for. Repeated interviews also are not uncommon.

"Specific experience for specific use is what many firms demand of job candidates today," explains another recruiter. "Companies are pinpointing the qualifications they want, much as you might fuss with a tailor over the specifications of an expensive suit. This kind of thing is most noticeable in positions calling for marketing know-how."

With the current stress on new products and product planning, some companies—particularly large industrial firms seeking to broaden their penetration of consumer markets—are holding out for men who closely match their requirements.

• • •

While businesses are becoming more selective about whom they will hire, over-all demand for executive talent continues strong.

That demand is great is difficult for some executives to believe—notably men over 50 who may have been separated from long-held posts because of mergers, acquisitions or corporate reorganizations. The recruiters say it is difficult to relocate such individuals, though not impossible.

"Today's manager has to be able to make decisions much more rapidly than before, because he is more quickly getting information with which to make decisions," one consultant comments. He adds that this skill is increasingly emphasized in filling marketing and finance jobs.

• • •

Does your boss sit down with you once or twice a year to discuss at length how well you are living up to the duties of your job?

If he doesn't, there is a strong likelihood that he will do so in the future.

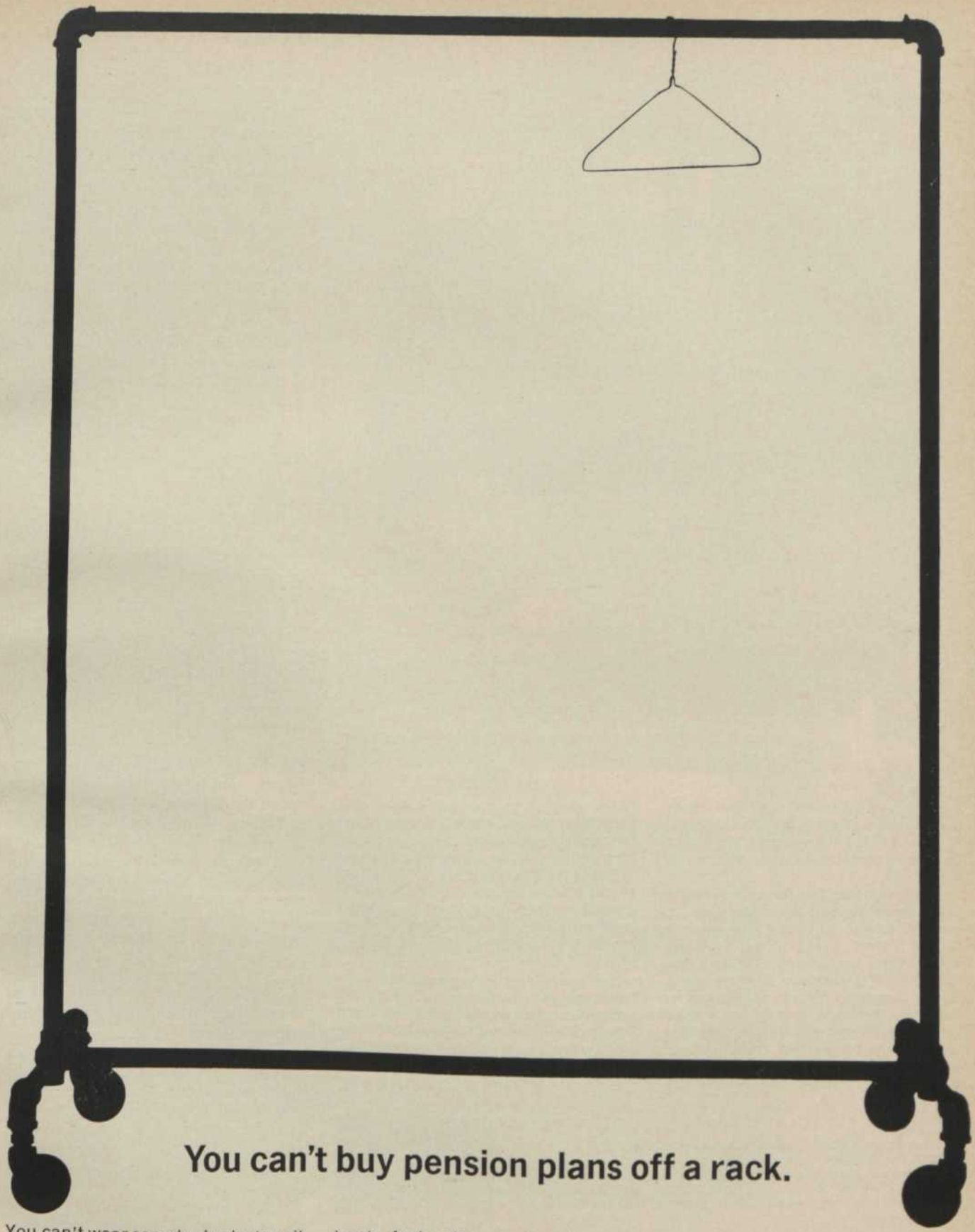
Recent inquiry discloses that an increasing number of companies are adopting formal review procedures.

DeFord C. Mills, a consultant who has looked closely into the subject, notes two significant trends:

First, companies making performance reviews are putting more emphasis on how successfully a man meets specific requirements of his job, less emphasis on such things as his appearance and personality.

Second, there is more man-to-man exchange between bosses and subordinates on the objectives of various positions in management.

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EXECUTIVE TRENDS

continued

McCormick and Paget, Mr. Mills disputes the idea that written job descriptions are a deterrent to flexibility.

"On the contrary," he says, "without clear-cut understanding of the organizational framework within which an executive will work, the duties he should perform, and the goals he should reach, it is impossible to evaluate an individual's work intelligently and to determine the amount of compensation he should receive. Flexibility is not lost since descriptions can be changed."

• • •

Next time you run up against a tough problem, try making a game out of the solution.

Sound farfetched? Perhaps so—but it was tried this year in a long-established company specializing in agricultural services. And—the method worked.

It came about this way:

An executive was hired to turn around a company whose sales had been slipping for three years.

"When I took over as general manager," he told NATION'S BUSINESS, "I found that a lot of entrenched attitudes, policies and practices were hurting the business. Many employes were old-timers, set in their ways.

"These people looked on me as an intruder."

When he failed to get the company moving after months of effort, the new general manager enrolled in an executive training program conducted by Dr. Joseph L. Krieger for The George Washington University. "I was getting desperate," the manager explains. "I had begun to worry that there was something wrong with me."

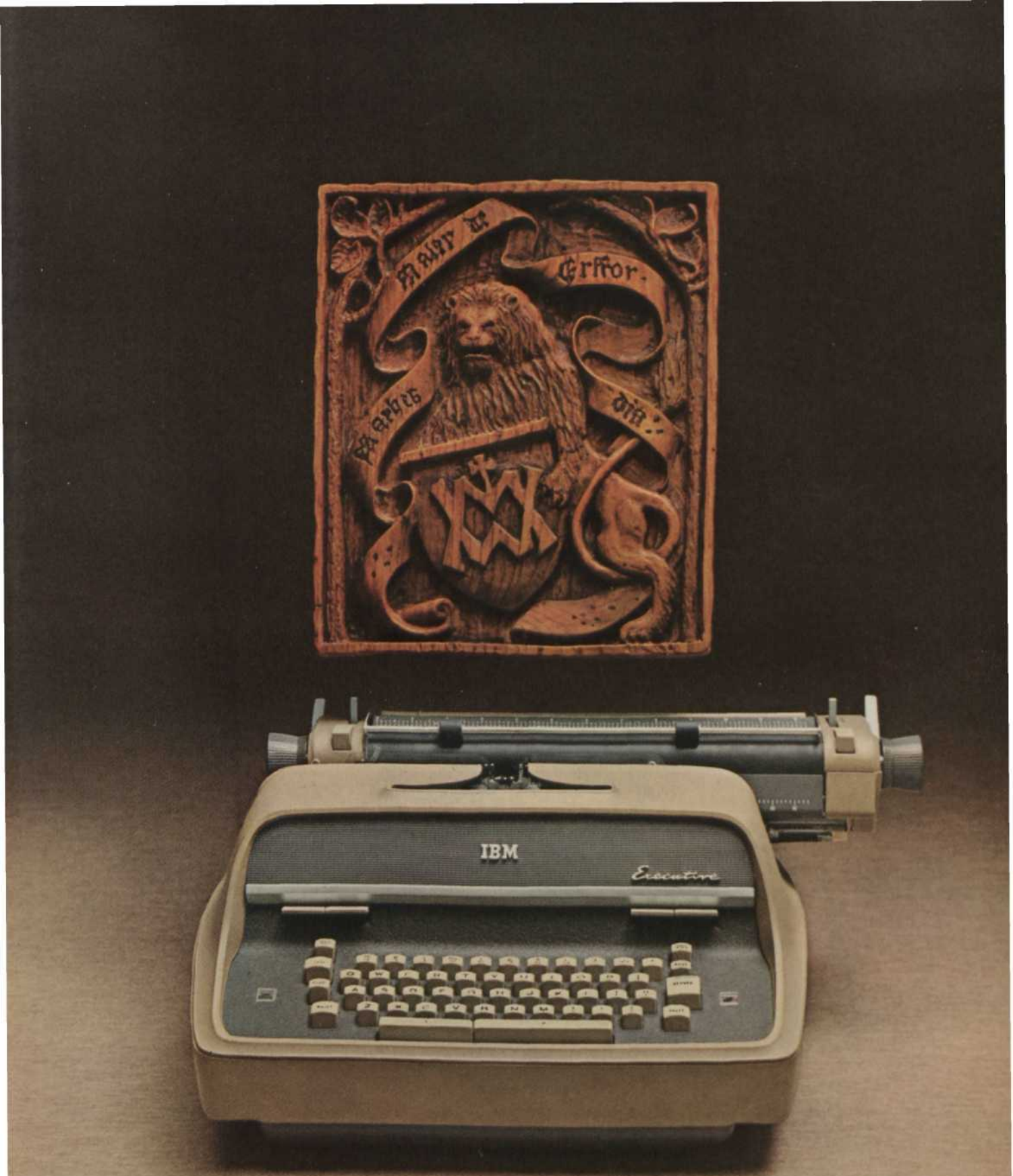
In the course the executive was exposed to principles and hypotheses concerning executive action which had been formulated by Dr. Krieger, following an intensive survey of successful businessmen. Among the 131 principles and hypotheses are these:

"An executive normally should be expected to perform responsibilities beyond his specific job requirements.

"An executive's loyalty to his organization should precede loyalty to his immediate superior."

The general manager took these statements back to his company,

(continued on page 21)



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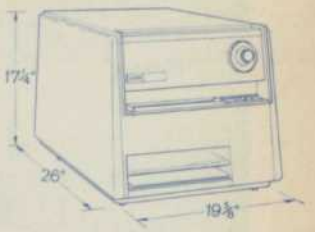
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had each statement printed on cards and distributed the cards to key subordinates and other officers of the firm.

"We then got together in night sessions and I used the statements in a kind of game," the general manager explains. "I would ask a man whether he thought a certain statement was defensible as a general principle of good management, or whether it was really just an hypothesis.

"Debate would often follow, or at least spirited discussion.

"The meetings served to revive the men's interest in their jobs and in the company's total activities," he continues.

"The exchange of views and ideas also helped the men to see that I was truly interested in helping them, and in improving my own performance. I give this little exercise credit for a new spurt in sales which promises to put us well into the black by the year's end and keep us there."

• • •

What makes a smaller company successful?

Researchers at Western Reserve University, Cleveland, dug for answers to this question in a study supported by a grant from the Small Business Administration.

After interviewing officers of 110 small metalworking plants, the research group turned up these generalizations:

Executives of successful small companies tend to be close personally and agree on goals of the business; the companies recognize their customers' needs and establish competent and flexible production organizations and facilities; careful problem analysis, good technical performance and prompt delivery are evident in their marketing effort; sales promotion and personal contacts are energetically pursued; management traits of the chief executive are more important than sophistication of operating methods; on-the-job training is encouraged.

Criteria for success: The companies had to be firmly established, financially sound and aggressive, with quality products and continued growth.

Note: The researchers set a sales ceiling of $10 million a year in selecting the companies they studied.

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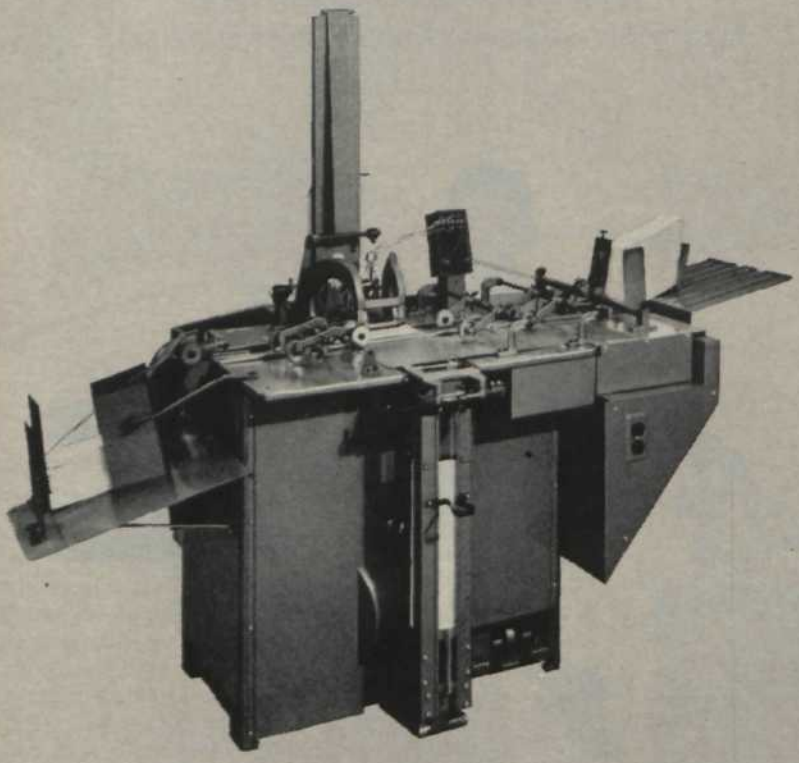
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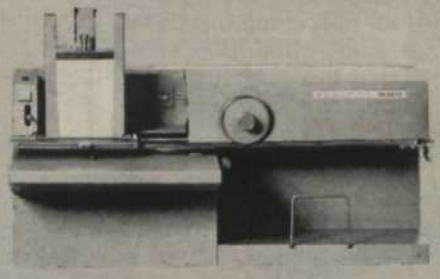
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Control of inflation, like charity, begins at home

BY MERRIMAN SMITH

OUR TOWN—and more importantly, your town, too—is sort of a mixed-up place this early autumn.

A coexistence of contrary tendencies or feelings—call it ambivalence if one's comfort is better based on precise rhetoric—seems to mark not only dealings between the executive and legislative branches, but the general area of communication between government and the governed.

Somewhat saddened by prospects of a Congress determined to fuss over basic legislation until snowfall or, at least, until department store kinetics herald the coming of Christmas, President Kennedy has taken to the airwaves in a thumping effort to push Capitol Hill into action. Whether his over-the-heads-of-Congress strategy pays off may require considerable patience on the part of the governed, possibly until sometime after Thanksgiving.

• • •

The Washington scene is cloudy, at best. And some of the clouds have built from the steamy stuff coming off hopeful 1964 presidential camps, mostly Republican. Arizona's Sen. Barry Goldwater is on tour in search of the Republican 1964 presidential nomination whether he cares to admit it or not. President Kennedy, who does care to admit it, has been out vote-shopping recently in states where there is a demonstrable interest in preserving natural resources, state parks and other aspects of the Democratic party's program for conservation.

New York's Gov. Nelson A. Rockefeller has been touring with his attractive second wife, Happy, in what would seem to be a considered effort to damp down 1964 resistance among delegates to the Republican convention.

The Republican party abounds in dire forecasts of what may happen to Rockefeller because of his divorce and subsequent marriage to the most attractive Happy, but the New York governor seems convinced that time is on his side.

There is a certain amount of validity to Rockefeller's reasoning, if, of course, there is any time pattern to his public appearances with his new wife. The interest span of the American public is quite short and what may have been a fractured moré of 1963 can become a 1964 asset. This, however, involves projection into the future and a flock of assumptions which not even the opinion experts could pull off at this time in anything approaching a sure-footed stance.

Both sides in Washington still are totting up possible results of the civil rights march. As the major political parties come closer to 1964's moment of relative truth, there is a quiet effort in Republican and Democratic headquarters to determine the possible political impact of such fairly novel maneuvers.

Might it not be within reasonable possibility to

PURCELL



Increasingly expensive tastes of American public are an important factor in the cost-of-living rise

Merriman Smith is the White House reporter for United Press International.

expect similar public protest demonstrations from other segments of American society? It would be most interesting to measure the reaction of the White House and Capitol Hill should, for example, 200,000 businessmen descend on Washington in one group to demand quick congressional passage of a tax cut.

A stack of old tax notices could be wagered safely on Congress paying attention, and plenty of attention, to such a march—a businessman's march on Washington.

And how would the nation's capital react if 200,000 housewives of assorted creeds, colors and religions swarmed into town to demand that the government do something about the steadily rising cost of living?

Would there be a top administration official with sufficient fortitude to tell the ladies, "Dear friends, you simply must accept inflation as a way of life now and for the foreseeable future"?

Or would the ladies be told instead that the Administration had been successful in holding prices to a relatively stable line?

In this connection, the monthly government figures showing an upward inching of the cost of living could pose more difficulty for Mr. Kennedy's 1964 re-election campaign than the combined forces of Messrs. Goldwater, Rockefeller and Romney.

The sad truth of the price situation facing Washington is that no Administration, Democratic or Republican, can do much about it if wages and other cost factors of the economy continue to push upward. And to control this upward pressure would involve tangling with the entire labor movement.

• • •

While arguments over the cost of living may be relatively moot, the subject has vast political sex appeal and one can expect the Republicans to be quite sexy between now and the 1964 voting. Former President Dwight D. Eisenhower during the 1952 campaign slaughtered Adlai E. Stevenson with two issues—the dragging war in Korea and the shrinking grocery basket at home. Dollar for dollar, the basket has contracted even more since 1952. Take-home pay has gone up, but costs of many items have kept pace and this creates a luxuriant culture bed for political complaint.

Few politicians in these times of high-priced plenty would have the nerve to lecture a delegation of housewives about their increasingly expensive tastes. This is a definite part of the cost of living picture. Against the superpatriotic background of World War II, the late President Franklin D. Roosevelt could lambaste laboring men for spending their suddenly swollen wages on out-of-season strawberries—and get away with it as sort of a gruff grampa.

Without the support of a national emergency, however, it would stretch most any political imagination to envision Mr. Kennedy lashing out during a press conference at those who contribute to inflation by spending far beyond their means.

To see where the working-class dollar is leaking, one might look at the widening line of luxury food items going up on the shelves of American supermarkets—wild rice, delicate sauces, canned crepes suzette and many other trappings of fancy cooking. Or scan some of the direct mail advertising of cut-rate clothing companies in the Washington area proclaiming the happy virtues of vicuna coats "which you can afford."

(It seems only yesterday that Sherman Adams, one of the more powerful figures of the Eisenhower Administration, tripped over a vicuna coat and fell out of office.)

• • •

Philosophers and economists long have known that most of us will exert all manner of extra effort to avoid lowering our standard of living. The patterns of our leaders seem to encourage a middle and lower class yen for wild rice and vicuna.

Mr. Kennedy, for example, might find it a bit awkward to preach sacrifice and less spending on luxuries if he spoke from the golden shores of Newport or Palm Beach. Gov. Rockefeller also might find it a bit sticky to lounge against the fence of his Venezuela estate and talk about anti-inflation belt-tightening. Such are the inhibitions of high office.

Sen. Harry F. Byrd of Virginia, a conservative Democrat who heads the powerful Senate Finance Committee, recently suggested that the President might set an example for others by getting along "with a little less"—meaning, in this specific instance, less use of government planes, helicopters, yachts and limousines.

The White House dismissed Senator Byrd's suggestion as invalid, pointing out that the special pool of 10 government helicopters was maintained primarily for the evacuation of high government officials in event of dire national emergency. Possibly out of homestate pride, Senator Byrd made no reference to the manner in which Mrs. Kennedy has used these same emergency helicopters to flit between the south lawn of the White House and the hunt country of Virginia for a few hours of riding to hounds. Some of the more vocal Republicans, however, can be expected to address themselves to this matter next year—just as some Democrats jumped on Mr. Eisenhower for operating a helicopter shuttle between the White House and his Gettysburg farm.

If the President shut down all of his planes, helicopters, yachts and limousines, it would be little more than a gesture. The savings thereby achieved might be exemplary, but the net would be little more than a tiny dot in a heaving sea of federal dollar marks. Neither taxes nor the federal debt would be affected. The cost of living would continue to inch upward.

And housewives could march on Washington in droves without reversing the wage-price spiral because control of inflation, like charity, begins at home.



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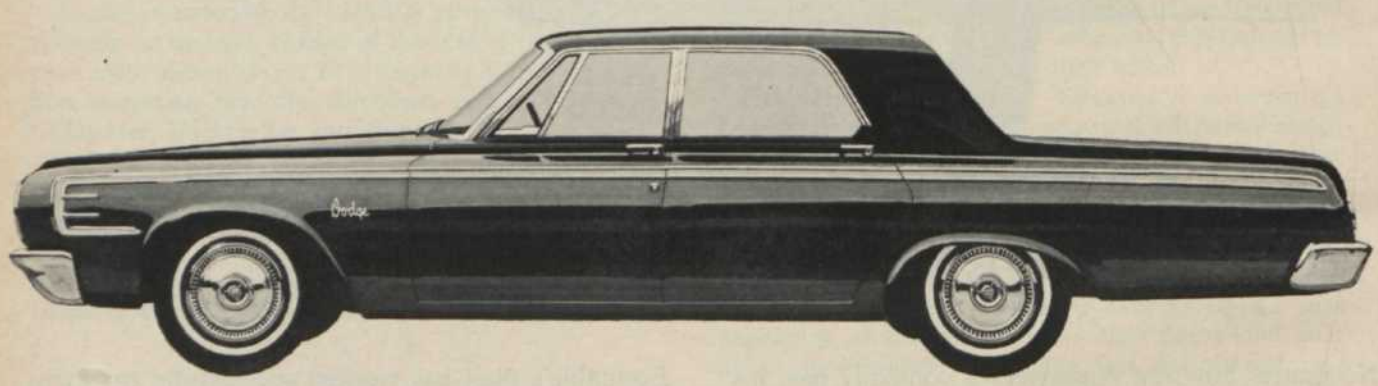
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Scholars see trend to more security, less freedom

BY FELIX MORLEY

AT LEAST since the days of the Delphic Oracle mankind has been endeavoring to probe the future. Nor has the effort ever been limited to the fate of individuals. Prospects for a new dynasty, for military expeditions, for such humble matters as local crop fertility, have all been sought since time immemorial.

For centuries, even millennia, this attempt to lift the veil was of religious inspiration. Men inquired as to the will of the gods, usually with propitiatory sacrifices which hopefully might affect that determination. Much prayer, of course, is still directed towards a specific, deeply desired outcome.

On the other hand, men of all races have also long been affected by a spirit of fatalism. Many still believe that the future is written in the palm of one's hand, or determined by conjunctions of the stars. Here, too, under the name of predestination, profound religious conviction is often strong.

The difficulty of predestination is its reconciliation with the equally reverenced doctrine of free will. And the difficulty with specific prediction is still to make it wholly impersonal and objective. A quirk of human nature is to conclude that the expression of an anticipation is simultaneously the expression of a personal desire.

Thus, if somebody says today: "I think so-and-so will be our next President" it will often be taken to mean a hope for this outcome. Such wholly illogical conclusions tend to retard well reasoned forecasting.

• • •

It is the more significant, therefore, that for over two years now there has been functioning a private international group of distinguished scholars who boldly call themselves a "Council for the Future" and who do not hesitate to make reasoned predictions in the field of economic, political and social change. These are published under the name *Futuribles*, a Spanish word for which the only brief English equivalent would be "futurables." The thought is that probability may be deduced as an extension of trends currently definite and discernible.

Paris is the headquarters of this group. But its members and consultants are drawn from various western countries, including the United States. Financial support is provided by the Ford Foundation. The undertaking is entirely unofficial, in origin and operation, and the studies published are not to be confused with governmental planning. Public policies

PIX



Political philosopher Bertrand de Jouvenel spots a trend toward Caesarism as Executive gains power

are, of course, analyzed, for their bearing on future development, but never with editorial judgment.

Despite the seemingly presumptuous title this "Council for the Future" is modest in its claims. The director of studies is Bertrand de Jouvenel, certainly one of the outstanding political philosophers of our era, and he emphasizes that the group do not consider themselves "wise men making it known what the future shall be." On the contrary:

"All our authors do is to expound the opinions they presently hold about possible future developments; they certainly do not pretend to any knowledge of the future. . . . They are alive to the importance of discussing those present opinions about the future, since such opinions are the foundations of impending decisions affecting the future."

Because they are published in French these "studies in conjecture" have heretofore been known to relatively few Americans. But a substantial sampling

has now been printed in English and further volumes of translation are contemplated. Estimates of the value of these essays will differ, but their interest to all who are concerned about the shape of things to come is obvious. A brief synopsis of three of the articles in the current book will illustrate.

• • •

Jacques Ellul, a distinguished French jurist who teaches at the University of Bordeaux, has written a not wholly cheerful forecast of "Western Man in 1970," confining his observations primarily to those who will live in Western Europe and North America.

His self-accepted task is "to sketch the most likely curve of development for a movement which has already started." This general trend he defines as "the quest for efficiency," without which there cannot be the increased productivity necessary for the almost universally desired rise in living standards.

In the absence of nuclear war, which is necessarily barred in all these predictions, pronounced material progress for Western Man in the years immediately ahead is regarded as certain. By 1970, says Professor Ellul, nearly everyone in the North Atlantic sphere will be comfortably housed, well fed, enjoying ample leisure and adequate medical care, traveling more and in geheral richly entertained.

But "the man of 1970" is also foreseen as "a complete extrovert," satisfied with his work and his associations but unhappy if cast on his own resources. Professor Ellul predicts that he will lack both political interest and spiritual strength. While technically competent he will have lost self-reliance; will be "passive as regards the taking of decisions"; will be increasingly dependent on government for guidance.

In this collectivized condition, the essay concludes, man will vigorously pursue happiness without finding it. While gaining information he will lose understanding. The advance of science will have meaning only in particular applications. A parallel decline in religious conviction will have deprived him of consolations which formerly helped a lot.

"A man who loses an eye," we are told, "will take a considerable time to get used to the lack of it." By 1970 we will not be adjusted to the loss of spiritual vision.

The prognostication of Bertrand de Jouvenel, speculating on political development in the free world, is consistent with the above sociological forecast. Since the first World War, he points out, the trend has been to maintain a war regime in peacetime. This is too universally accepted to be easily reversed. The political consequence, says M. de Jouvenel, is not tyranny but Caesarism, under which "the citizen gives up his public role but retains his private freedom."

So far as the form of government is concerned this means a steady growth of executive power at the expense of the legislature, with the further result that the judiciary will come to interpret the law ever more closely in accord with the executive will. The latter, however, must constantly be alert to provide the material advantages that people want, much as the Roman emperors furnished bread and circuses.

It is interesting that M. de Jouvenel, who knows this country well, regards the United States as a possible exception to the centralizing trend. Our Congress, he notes, "is the only Parliament which has had the wit to set up its own expert bodies to check the findings of the experts serving the Executive." Even so we are steadily upgrading and personalizing the office of President, as the Romans did for the Caesars, and letting him build a ruinously expensive bureaucracy.

In consequence, the West no longer possesses the formulae for freedom which it once offered to less-developed peoples. The model presented the new republics of Africa and Asia is benevolent dictatorship rather than representative government. In the face of the communist challenge we no longer offer "any clear recipe for free institutions."

• • •

The Englishman who edits the *Cambridge Economic History* is author of the third of these *Futuribles* summarized here. It is on "The Economic and Social System" to be anticipated from present trends and the findings of Professor M. M. Postan also dovetail closely with those of his French colleagues.

For Professor Postan the most striking feature of recent economic development in the West is the growth of collectivized private ownership by corporate bodies, such as foundations, universities, unions and pension funds. These "cannot be lumped together with private capitalist owners of the classical type."

While this separation of ownership and control is not a new phenomenon, its rapid development is leading to the formation of a new executive class whose members are widely recruited on a basis of proven capacity. In Western Europe "the most significant of the new occupants of high industrial office have been former civil servants." In the United States "the contrary stream from industry to high state office has been more active than elsewhere." But in both cases an interlocking "Establishment" of governmental and industrial management is forming.

Meantime, technological progress is rapidly developing the number of highly skilled and responsible workers while reducing the proportion of unskilled proletarians. Thus the doctrines of Karl Marx, in Western Europe at least, are out on two counts. There is no longer the combination of ownership and control which was "capitalism" to him. And there are no longer any downtrodden "wage slaves." Consequently there will soon, if not already, be no danger of any Marxist takeover.

Professor Postan emphasizes, moreover, that the lines of economic development in Soviet Russia (not China) and in the West are steadily converging. What hampers peaceful co-existence is not dissension about socialist theory but the "sense of values" which Christianity upholds and communism denies. "The real conflict is not economic but spiritual."

Thus some, at least, of the reasons for hostility between Russia and the West are seen to be disappearing. And with that change, or so these forecasters imply, the iron curtain will slowly be rolled up.



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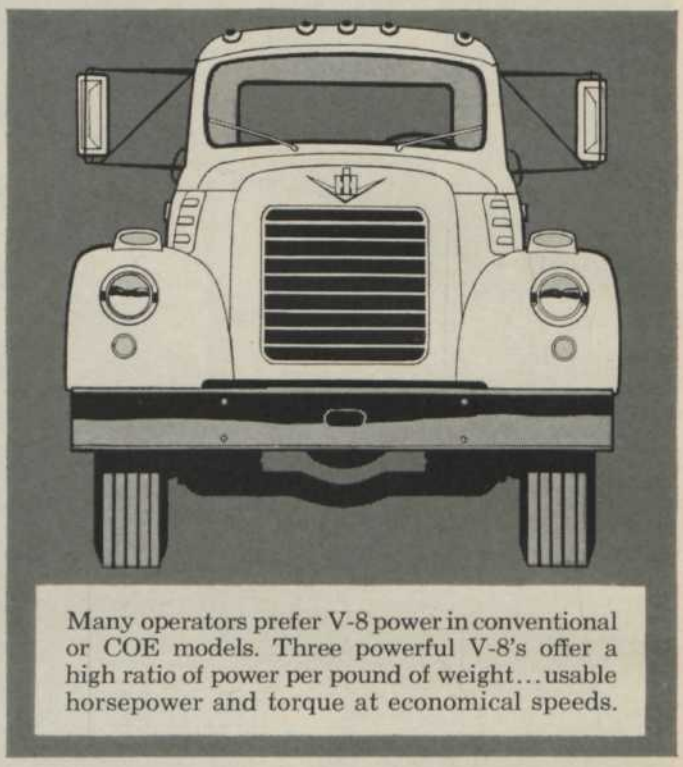
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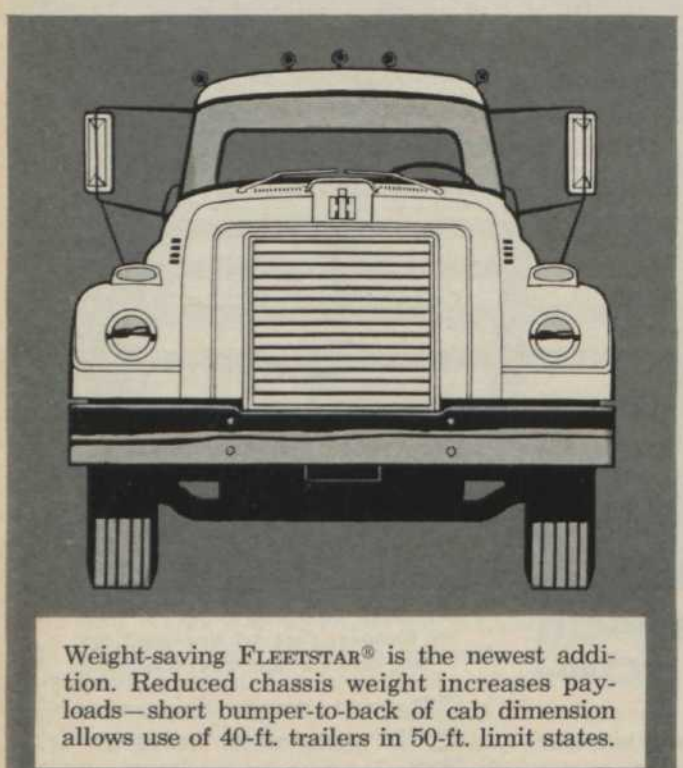
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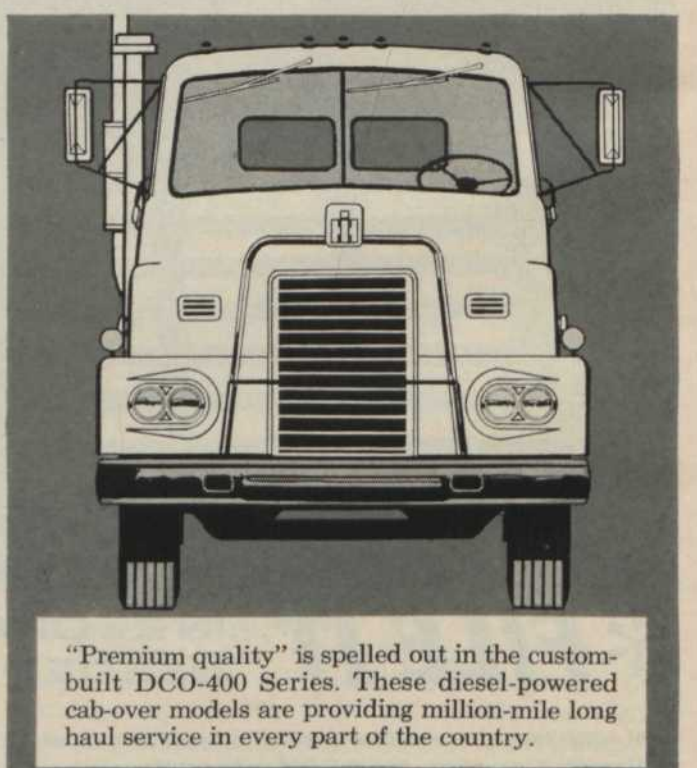
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TAX CUT: Key to '64 growth

Economic authority assesses business outlook

BY MARCUS NADLER

Professor of Finance, New York University

NEXT YEAR will be a good year for business—if taxes are cut.

Basically the economy of the country is sound. There are no major internal maladjustments. Income and demand are high.

But the outlook depends to a great degree on the stimulus derived from pending tax legislation. Without such a stimulus, the economy could show a decline.

A reduction of both individual and corporate income taxes is more necessary now than before because of the international balance of payments problem. This problem forces Federal Reserve authorities to keep short-term interest rates high to match those in foreign countries. Otherwise, more dollars will be invested overseas, where they will earn more.

Therefore, business can't count on interest rates being lowered to stimulate the economy. The stimulation must come from tax cuts.

Lower individual income taxes will increase disposable personal income and have a favorable effect on total personal expenditures. Lowering of corporate taxes will stimulate capital spending, which—as the past has shown—is the most important force in creating new jobs.

This year is laying the groundwork for sound growth in the future.

The improvement in business activity during 1963 is greater than was originally expected. The gross national product—the total of all goods and services produced—stood at $579 billion for the second quarter of the year, on an annual basis, seasonally adjusted, compared with $552.4 billion during the same period a year ago. The third quarter figures should show a further increase.

The federal budget deficit in fiscal 1963 was $2.6 billion smaller than originally expected, reflecting partly an increase in revenue caused by the improvement in business activity and partly the fact that expenditures did not reach the original estimates. Although employment improved considerably, unemployment continued to be a serious problem, particularly among younger workers entering the labor field for the first time, the untrained and unskilled.

The economy is in a transition period, marked by the end of the great postwar boom. There are as yet no new factors to accelerate the rate of economic growth and to solve the unemployment problem.

The forces that contributed to this year's improvement, briefly, were: very strong consumer demand, particularly for durable consumer goods and notably automobiles, which was greater than anticipated, and the accumulation of steel inventories during the first half of 1963 in anticipation of labor disturbances. Government spending also contributed.

Although the volume of excess bank reserves was reduced and short-term interest rates made a considerable increase, ample credit was available. The supply of capital seeking an outlet in mortgages and long-term obligations was larger than the demand,

Consumer spending on nondurable goods and services will increase

Business expenditures for plant and equipment should continue to rise

Balance of payments problem will persist during months ahead

TAX CUT: KEY TO '64 GROWTH *continued*

thus causing a moderate decline of long-term and mortgage interest rates.

Labor conditions in manufacturing industries were tranquil; on the other hand, in the service industries there were prolonged strikes and considerable unrest. This unrest will continue.

Throughout the first nine months of the year inflation remained dormant. The wholesale price index remained practically unchanged, while the consumer index made a moderate increase, reflecting primarily higher costs of services and increases in taxes, direct as well as indirect, in a number of states and communities.

What next three months hold

Because of the numerous uncertainties, international as well as domestic, it is advisable to consider the outlook first for the remainder of the year and then the forces that will influence the economy during the early months of 1964.

The uncertainties, in addition to the vital tax question, are:

The balance of payments deficit, which will continue to be substantial in the months ahead. Some of the Administration's efforts to improve the situation probably will have a favorable effect. They will not, however, eliminate the deficit, which will remain large.

Civil rights controversies and the outcome of the proposed civil rights legislation will have an impact on business sentiment which cannot yet be adequately appraised.

The international political situation will continue to exercise a considerable influence on business sentiment, hence on business activity. There is a possibility that the world may enter a period of less tension and that the armament race may be slowed down. The actions of the Common Market countries concerning Great Britain will indicate whether the Market will lead to freer international trade or the establishment of trade blocs.

All these developments will influence business activity more during the first months of 1964 than this year.

During the rest of 1963, the recovery will continue at a moderate pace. There is a possibility of a slowdown in the output of automobiles. But this, in all probability, will be counteracted by an increase in total construction activity and by capital expenditures by corporations.

Consumer spending on nondurable goods and services will continue to reflect the growth of the population and the increase in disposable personal income. Seasonal factors will play the usual role, and, based on the more favorable outlook internationally as well as nationally, the Christmas trade should exceed all previous records.

It is quite possible that total output for this year will be in the neighborhood of $580 billion, compared with $554 billion in 1962.

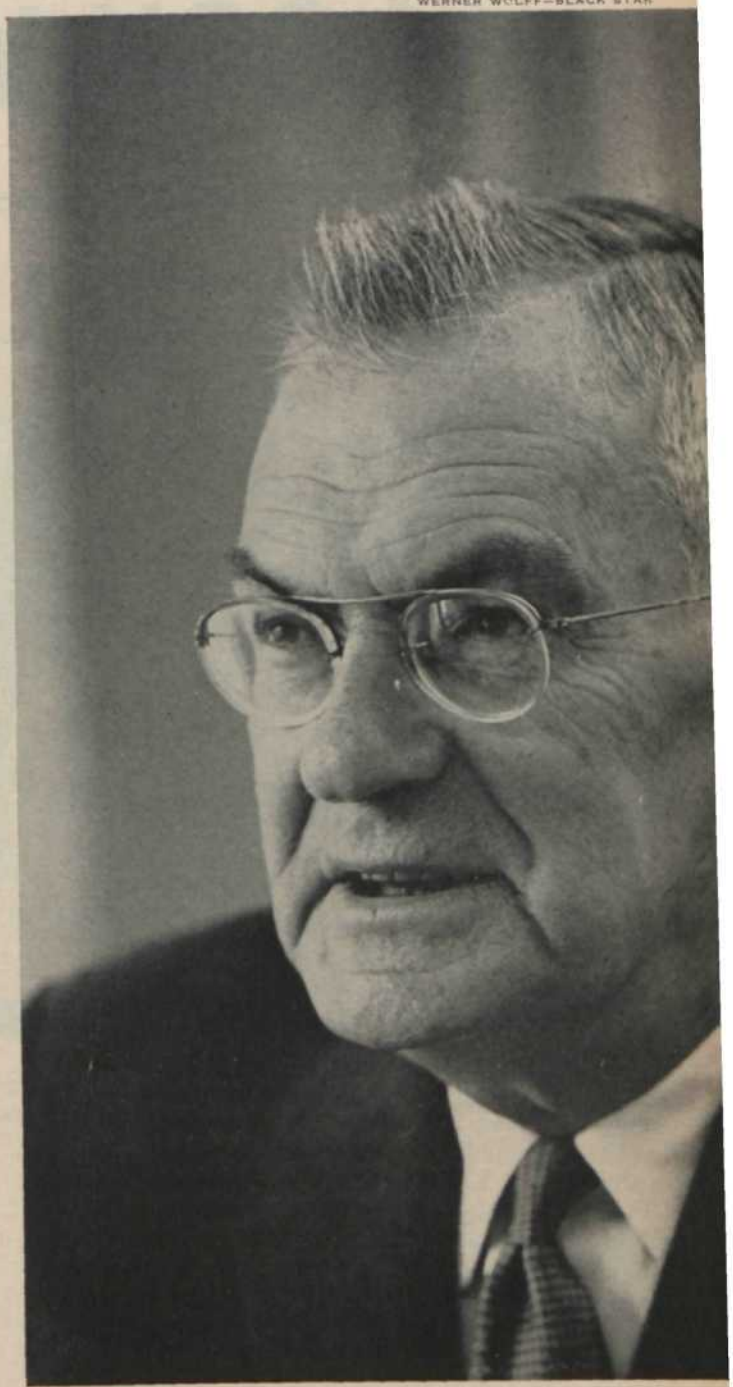
No important changes in credit policies can be expected in the immediate months ahead. While short-term open market money rates may increase moderately, the availability of credit will remain ample. An increase in the prime rate under present conditions is not expected. The demand for bank credit is not pronounced and is not likely to become excessive.

The cash flow of corporations is large, and manufacturing corporations are in a position to meet practically all their financial requirements, short-term as well as long-term, out of internal resources, depreciation reserves and plowed-back earnings.

The flow of savings into thrift institutions is large and will continue, and commercial banks and the other thrift institutions will find it difficult to obtain a suitable outlet for these rather costly funds. While the increase in short-term rates will have an

Tax reductions will be the key factor in next year's activity

WERNER WOLFF—BLACK STAR



impact on long-term rates, this is not likely to be pronounced, for the supply of long-term funds will be more than ample to meet all the legitimate requirements of trade and agriculture.

It is also doubtful whether the Treasury, through debt management, will try to bring about an increase in long-term rates. This indicates that the supply of long-term securities which the government may offer in the future will be only moderate and designed not to disturb the pattern of long-term interest rates. In the immediate future, the Treasury will rely on advance refunding to lengthen the maturity of the debt.

Outlook for '64

Looking ahead to the early months of 1964, it must be emphasized that tax reduction is a key factor. A net reduction in individual taxes will almost automatically increase disposable personal income, of which 92 per cent to 94 per cent is spent. Consumer demand, therefore, should increase.

A reduction in corporate tax rates will lead to larger profits, increased capital expenditures, and possibly larger dividends or, in some instances, lower prices.

All these developments will have a favorable effect on total demand.

Consumer demand for durable goods, notably automobiles, may be somewhat smaller in the early months of 1964 than in 1963.

The automobile industry enjoyed two excellent years back to back, an event which happens only rarely. Automobile output in 1964 may be somewhat lower than in 1963.

However, the outlook for the auto industry, which plays such an important role in the entire economy, is favorable. The number of families needing two or three cars is increasing. The *(continued on page 108)*

Dr. Nadler is widely known as a forecaster and economist of unusual foresight. His views are often sought by leaders in business and financial circles.

Boardwalks to barbecue pits:

LOOK WHAT YOUR

Nation's Business editors, in on-the-scene check of public works spending,



SCHUGAR—BLACK STAR

U. S. taxpayers will foot half $85,000 cost of signal lights to help meet a purely local traffic problem in Homestead, Pa. Mayor Thomas E. Barrett, right, and engineers examine model

GO TO HOLLYWOOD, Fla., some time and stroll on the broadwalk by the sea.

While you're strolling you might want to pay particular attention to the walkway itself. You'd be perfectly entitled to. It was recently extended with the help of federal funds to which you contributed as a taxpayer, as did other taxpayers all over the country who will never see it or use it.

If you live in the northeast, you could run over to Bridgeport, Conn., P. T. Barnum's home town, and look at the new 12,000-seat city stadium. You can't see a ball game there yet, but you may enjoy watching workmen put the final touches on a $1 million facility which is costing taxpayers across the country $475,000.

More and more federal tax dollars, including yours, are being pumped into what Washington euphemistically calls the "Accelerated Public Works" program. APW (that is WPA spelled backwards) is a year-old, politically potent, come-and-get-it spending machine to build strictly local projects with other people's money.

Your tax dollars are buying mercury vapor street lights for Tahlequah, Okla., a game room for Alma, Mich., traffic signals for Homestead, Pa., barbecue pits at Crab Orchard Lake, near Herrin, Ill., a municipally run parking garage (with a misplaced ramp) in Bluefield, W. Va.

The story is much the same throughout America. In cities, towns, and villages, more than 4,000 accelerated public works projects are under way, and more are coming.

All this started in September of 1962, when President Kennedy signed the Public Works Acceleration Act, "authorizing the appropriation of $900 million for the initiation and acceleration of federal

FEDERAL TAXES BUY

find amazing tangle of costly local projects financed by U. S. taxpayers

WILSON—PIX



Red, white and blue sign advertises federal money's part in financing new fire station–water department headquarters building in South Hadley Center, Mass.

RIP STOK



Near Herrin, Ill., 230 barbecue pits and 225 picnic tables are being installed under APW, although law requires that all projects "meet essential public need"

City-owned, fee-charging parking garage in Bluefield, W. Va., will be able to handle more business with new decks for which federal taxpayers are paying $190,000

GEORGE LOHR



Miramar, Fla., which has no real estate or personal property taxes, obtained a contribution of $125,000 from federal tax funds to help build its new city hall

BLACK STA



public works projects already authorized, but not yet financed by Congress, and of state and local public works projects, for which federal financial assistance had been authorized by prior legislation."

To qualify for APW money, a community must meet one of several standards. In general, these cover communities of persistently high unemployment or low median income.

Communities meeting the qualifications number about 1,100 all over the nation.

At last count approval had been granted for 4,431 projects 1,535 of which were financed by federal money alone.

The first $400 million for this quickie spur to the economy was appropriated by Congress a year ago this month. Additional spending of $450 million was okayed last May and, to date, $230 million of it has actually been spent. APW is becoming an increasingly expensive piece of the Kennedy Administration's public works program which could cost $9 billion this fiscal year alone. Such spending makes up nearly 10 per cent of the federal government's total red-ink budget.

Congress now has before it legislation by Rep. John A. Blatnik, Minnesota Democrat, which would double the current authorization for accelerated public works. On the Senate side, similar legislation introduced by Sen. Pat McNamara, Michigan Democrat, would provide $1.5 billion more for new projects. Senator McNamara heads the Senate Public Works Committee.

Projects are local in scope

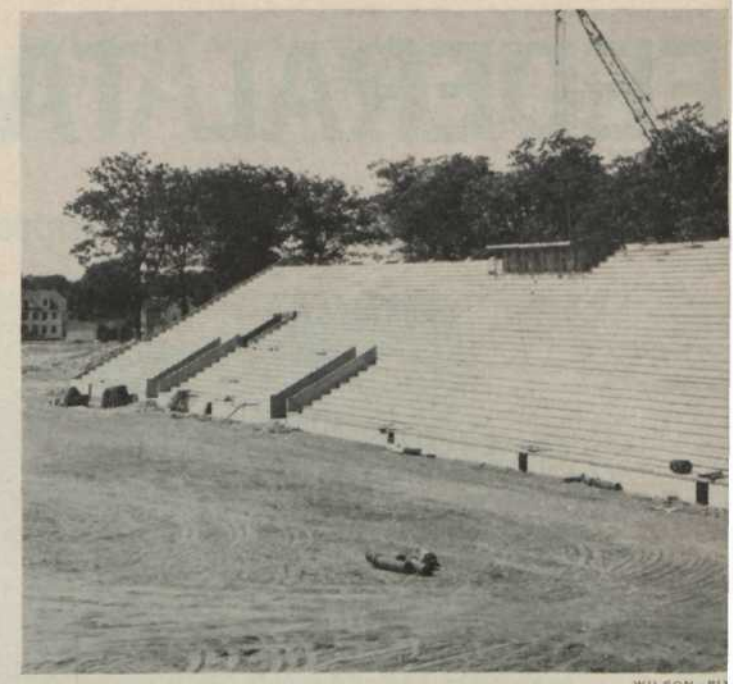
Unlike conventional public works—huge dams, bridges, military installations, and such—the new program nickels and dimes the taxpayer for projects which cannot conceivably be considered national in scope. Nor could many of the projects be described as meeting an "essential public need" as the Act requires.

The funds are flowing into an array of projects including city halls, county buildings, hospitals, road improvements, swimming pools, jails, trash incinerators, fish hatcheries, docks, and many more. So many, in fact, that a recent directory of the projects filled almost 90 pages of small type.

Most of the projects are pint-sized undertakings that individually don't offer much of a target to advocates of federal economy. Some—by the admission of local officials—were really unnecessary but nonetheless sought in the spirit of, "It's federal money and everybody's taking it, so let's get some, too."

William A. Peterson, city engineer of Hollywood, Fla., which has nailed down three grants, told NATION'S BUSINESS, emphasizing that he was expressing his personal opinion:

"As a taxpayer, I'm personally against these federal giveaway programs in general. I don't believe in the pump-priming theory. But as long as the money is available, and as long as the people in our



WILSON—PI

Nation's 80 million taxpayers all have an interest in the 12,000-seat stadium at Bridgeport, Conn., since U. S. money is going to finance $475,000 of the $1 million bill



WOLFF—BLACK STA

When fire damaged boardwalk pavilion at Asbury Park, N. J., U. S. agreed to pay $387,000 on repairs. Second fire hit in September; city says it will ask still more aid



LOHR

Major recreation and tourist facility will be built under APW around the Lake Stephens development in Raleigh County, W. Va. Cost to federal taxpayers: $1.2 million

BLACK STAR



Funds which you've provided U. S. as a taxpayer are helping to pay for construction of more than a mile extension of Hollywood, Fla.'s broadwalk by the sea

city are paying federal taxes, we feel we should try to get our share. We're glad to get the money because it helps our city, but we could get along without it. Hollywood has a low bonded indebtedness, and we could pay eventually for such things ourselves."

The Public Works Acceleration Act provides money for public works for which only "financial assistance" is authorized by other laws. So, projects for which Congress has only authorized loans are eligible for out-and-out giveaways. The money comes from the Area Redevelopment Administration, after other agencies have approved.

Rep. William C. Cramer, of Florida, a ranking Republican on the House Public Works Committee, puts it this way: "The law gives the President a checkbook full of blank checks to buy political goodies practically anywhere it will help him. The President can approve or withhold money for projects in such a way as to influence members of Congress to back his New Frontier program or buy political support for favored candidates or pay off political obligations. It's a political slush fund paid for by the taxpayers."

The political use of the law was evident in a number of cases during 1962's congressional campaign.

For example, Rep. Frank T. Bow, Ohio Republican, was surprised to read in the afternoon papers the day before the November election that his Democratic opponent, Ed Witmer, was officially announcing the approval of a $198,000 grant for an addition to the Tuscarawas County Court House in Mr. Bow's congressional district. Mr. Witmer said the Housing and Home Finance Agency had informed him of the grant.

But Mr. Bow still won re-election. Moreover, a referendum to approve a bond issue to finance the matching local share of the court house addition also lost at the polls.

Do public works produce employment?

Supporters of accelerated public works—and all public works projects, for that matter—argue that the program has a job-generating effect. An investigation by a team of NATION'S BUSINESS editors indicates that the program has actually created relatively few jobs but much dependence on Washington.

The editors, who went into communities where federal funds are being spent, found local officials well informed on the amount of money they were getting and enthusiastic about the projects being built. Most were also highly complimentary about the role their congressman or senators had played in obtaining the money. Here are a few of the facts which the investigation turned up:

In *Westfield, Mass.*, the city government cut taxes this year at the same time it was getting federal dollars for two projects. One is a garage to house city-owned trucks. Over-all cost: $93,000—with $35,000 paid by taxpayers all over *(continued on page 112)*



ROBERT PHILLIPS

At work in his Justice Department office, Mr. Orrick sheds coat, rolls up sleeves like boss, Attorney General Robert Kennedy

New antitrust chief's goal:

MORE POWER TO POLICE YOUR BUSINESS

Assistant Attorney General William H. Orrick, Jr., reveals his policy and legislative aims in interview

YOU WILL HAVE TO TELL the government more about your business, if the new federal antitrust chief has his way.

Assistant Attorney General William H. Orrick, Jr., reveals in this NATION'S BUSINESS interview that he will fully support legislation that would give federal agents access to company information now considered confidential.

He says he wants such business information as: earnings of separate divisions of corporations, production and sales by products, past acquisitions and consolidations, and joint ventures.

Mr. Orrick concedes that there are areas of uncertainty in the antitrust laws, but he argues that the laws must necessarily be vague to cover changing conditions and practices.

He notes that the laws have been called a kind of constitution. From this constitution stems a constantly evolving body of law, created by judicial decision, rather than legislated by elected lawmakers.

"One of the functions of the Antitrust Division is to bring cases which will give the courts an opportunity to clarify those areas which may seem uncertain," he comments.

Mr. Orrick has been in office three months. He is a graduate of Yale and the University of California. Besides government service, he has practiced law in San Francisco.

Mr. Orrick, do you plan to pursue a tougher, or different kind of antitrust policy?

This is a difficult question to answer. Would you describe what you mean by antitrust policy?

Would you anticipate more or fewer cases?

I do not intend to play a numbers game in the Antitrust Division. We are not going to file cases simply to build up a statistical record.

How the numbers would compare in the end with those of my predecessors would be just guessing.

My expectation is to make the best use that I can of the lawyers in this division—approximately 300 of them.

Big cases require more lawyers. Very frequently government counsel will number five or six, and defendant's counsel will number up to 50. It takes a good deal of preparation to try a case properly.

We intend, so far as is possible, to use our resources to the best advantage of the United States in enforcing the antitrust laws.

To this end we are going to look at different industries and different situations to see if we can't be more selective with respect to the types of cases we will bring and their economic impact upon the industries involved.

Do you think the laws are adequate? Would you like to see any changes made?

At each session of Congress a number of bills to amend the antitrust laws are introduced, but quite frankly, I haven't had an opportunity to review them to be able to state any particular preference.

Do you have any ideas, in general terms, of what kind of new legislation you think is needed?

I would like a means of acquiring more statistical information with re-

(continued on page 44)

White House gears up for campaign year

President's aides already busy with political chores

THE WHITE HOUSE, as nice a campaign headquarters as any candidate could ask, is taking on an increasingly political air.

There are no "All the Way with JFK" posters in evidence nor are "Stick With Jack" buttons being offered. But there is plenty of good old-fashioned politicking going on at 1600 Pennsylvania Avenue. The purpose: To start the ball rolling for a Kennedy victory in 1964—preferably a victory big enough to pull in a Democratic Congress committed to the President's program.

There's nothing unusual or improper about this. It's a fact of American life faithfully observed by Republican as well as Democratic incumbents bent on re-election. But it is there. A White House staff member figuratively sniffed the air the other day and commented: "There's a strong scent of politics now. We are always sensitive to politics here, of course, but we're becoming more and more sensitive as the election draws closer."

The Kennedy team, political in every fiber, is acutely aware that an incumbent President running for re-election has immense built-in advantages over his opponent.

An incumbent runs from a position of unparalleled power, prestige and publicity. This is why the Democrats decided they could afford to delay their nominating convention until late August next year, while the G.O.P. will select its candidate in mid-July.

In a situation like this, some candidates and their managers would be inclined to take things easy. But part of the Kennedy success story is never to take anything for granted, to fight every political battle all-out.

You can feel politics in the air in the Executive Office Building, immediately west of the White House, where a presidential assistant is grinding out facts and figures on the extent to which different federal spending programs are helping individual states and communities. The information goes to the Democratic National Committee and Democratic senators and congressmen for relay to newspapers and party speakers back home.

The purpose, of course, is to make the voters aware of what Washington, under President Kennedy, is doing for them. Or to put it in the words of an administration aide: "We are trying to be helpful to those members of Congress who want to know why they are voting the way they are."

You can sense politics in the rose garden, where the President meets citizens who come to the White House to be honored, charmed or consulted. Ethnic groups, old folks, union delegations, college students, and others have been trampling through the rose garden with regularity of late; in the months ahead the traffic can be expected to increase.

Political overtones are discernible in the presidential dining room as groups of editors, labor leaders, businessmen, civic leaders, artists, educators and opinion molders of every kind are summoned for informal luncheons and elaborate state dinners.

The President has already begun a set of White House conferences attended by business leaders, mayors, and other public figures. One, on ways to push American exports, was held last month; the other on urban problems, will be held later in the fall. More big, publicity-getting conferences may be added later, White House men say.

And the political atmosphere permeates the White House offices, where there is a quickening of interest in the election potential of every decision. It will become more noticeable in the coming months as the President's travel schedules are announced. A long "nonpolitical" western swing was staged the end of last month. Aides expect one or more new overseas trips before the campaign, and a number of one-day or week-end trips to key states for the purpose of dedicating dams, inspecting space installations, looking over military bases.

"It's just terrible the number of things the President has to check up on between now and next summer," one aide says, tongue in cheek.

PHOTOS BY GEORGE TAMES





Key men in '64 will include brother-in-law Stephen Smith (with President above) who will direct campaign; Theodore Sorensen and Kenneth O'Donnell (right above) as top speech writer and travel manager respectively; and Lawrence O'Brien, liaison man with Congressional Campaign Committees. Already at work, Mr. O'Brien confers at right with Sen. Warren G. Magnuson, who is the chairman of the Senate Committee



The President already has accepted a number of still unannounced speaking dates in various parts of the country in the course of which he will address college audiences, receive brotherhood awards and speak to business and labor conventions.

Press Secretary Pierre Salinger showed the way White House minds are running when asked what kind of speech the President would be delivering during a stop-off on a trip billed as nonpolitical. "It's what we'd usually call an airport rally," he replied candidly.

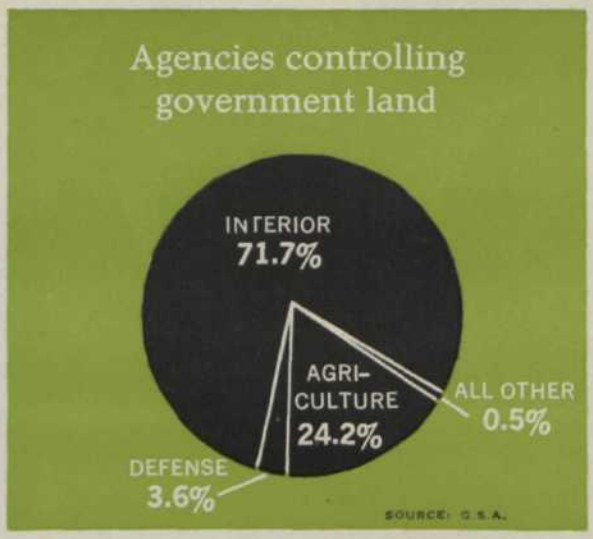
In addition to his own stepped-up campaigning, Mr. Kennedy will be making increased use of top-level administration officials as the election draws near. Of the cabinet members, only Secretaries Rusk, McNamara and Dillon and Attorney General Robert Kennedy will be excused *(continued on page 98)*

A LOOK AHEAD by the staff of the

Farm targets change
(Agriculture)

Finance bills lag
(Credit and Finance)

Credit controls pushed
(Marketing)



AGRICULTURE

Emphasis in agricultural legislation is shifting from mandatory supply controls for major surplus-producing commodities to legislative authority for land-use and other resource adjustment programs for entire rural communities—industrial and commercial as well as agricultural.

The Secretary of Agriculture has developed by administrative action, as well as legislative authority, programs to direct the development of these communities. The administratively established Office of Rural Areas Development has combined existing financial and technical assistance with new legislation (the Area Redevelopment Administration, rural renewal, land-use adjustment and other easy credit programs) in an attempt to exercise greater influence over the total economy of rural areas.

The Secretary is expected to request more authority to provide organizational leadership, technical and economic assistance, and job retraining programs. His emphasis includes increased bargaining authority for farm cooperatives, prevention of further growth of vertical integration and contract farming, and the formation of government-run regional programs.

CONSTRUCTION

Proposals to inject the federal government into construction research will be seen in the perspective of actual industry operations at the National Construction Industry Research and Development Conference in Washington October 17 and 18.

For more than a year the Administration has been pushing to get appropriations for a Civilian Industrial Technology program, under which the government would get into research in certain industry areas.

The key assumption is that the industries picked for this government intervention—and construction is one already named—are backward industries in which insufficient research is being done.

Business leaders at this month's conference will first try to define the scope of the vast and diverse construction industry, and to gauge the force of the huge research effort now being made.

Next, these leaders will examine the fundamental reasons, the driving forces, for construction research and development. Then, and more important, they will give their views on the most logical roles for government, if any, and private construction research efforts.

CREDIT & FINANCE

Finance legislation continues to back up in the House Banking and Currency Committee, while Chairman Wright Patman pursues his policy of investigation.

In August and September, the committee sent out two of three questionnaires designed to determine "whether to encourage independent unit banks, large-scale branch banking, chain banking, or holding company banking."

A third questionnaire will deal with bank loan policies, and will probably be sent out to some 3,000 banks this month. It took about six weeks each to complete the first two surveys, and additional time was needed to analyze results.

Until these surveys are complete, the Committee will delay legislative action.

FOREIGN TRADE

The United Nations Conference on Trade and Development has been scheduled for March 23 to June 15, 1964, in Geneva, Switzerland.

The conference stems from pressures by the underdeveloped countries, which are convinced that their interests are not adequately served by existing bodies in the trade field. Sensitive to the needs of these countries, the United States has decided to support the conference in the hope of directing its course along constructive lines.

Soviet efforts to focus the agenda on expansion of East-West trade have been resisted by the preparatory committee. However, excluded from the General Agreement on Tariffs and Trade, Russia will seek to replace it with a trade organiza-

tion in which she would be able to participate.

GOVERNMENT SPENDING

Few sessions of Congress have moved as cautiously as the present one with respect to federal money bills.

There are many explanations for this in Washington. One is that appropriations have been held up because some basic authorization bills have not been passed. Another explanation is that Congress, and in particular the House of Representatives, has its ear close to the ground, and senses the mood of the public.

Repeated polls have shown that fiscal responsibility is an ingrained characteristic of Americans. Their reluctance to accept continuing deficit spending is shared by the nation's lawmakers. They are reflecting this sentiment by taking a wait-and-see position on federal spending measures.

LABOR

Rep. Dave Martin, Republican of Nebraska, speaking on the railroad labor dispute, told Congress, "We have witnessed this deplorable situation as a perfect example of what constitutes union monopoly power."

Representative Martin, a leading advocate of labor reform legislation, placed the fault for this monopoly power on "the Congress, which basically created the privileges and immunities that a few labor leaders now maintain."

Congressman Martin praised those members of Congress who advocate a Joint Congressional Study Committee to explore industry-wide bargaining and strikes. He also reminded Congress about his own bill, now before the House Judiciary Committee. Mr. Martin's bill would eliminate national emergency labor disputes by placing limitations on industry-wide bargaining, and by also prohibiting certain restrictive work practices by unions as a restraint against trade.

MARKETING

Uncertainty shrouds the immediate future of the Douglas credit bill. This measure would require anyone selling on credit to give the buyer an advance statement of finance charges expressed as a simple annual rate on the outstanding unpaid balance, a calculation that would frequently be impossible to make.

Sen. Paul H. Douglas, Democrat of Illinois, and his Production and Stabilization Subcommittee—after three years of Washington hearings and 2,702 pages of testimony—this year held field hearings for the first time.

As expected, the latter yielded no really new information but afforded the senator new publicity for his bill.

Before getting to the Senate floor, the bill must win the full Banking Committee's okay—something it has previously failed to get.

NATURAL RESOURCES

Businessmen may be much interested in a bill before Congress to establish a commission to make a four-year study of the various public land laws, some dating back more than a century, dealing with the management, retention, and disposition of the lands owned by the federal government.

Most people do not realize the extent to which Uncle Sam is a landlord. Over a third of the land area in the United States is owned by the federal government.

Part of the public domain has been "withdrawn" for permanent federal management, such as national parks and forests and military reservations. The rest is theoretically open for disposal, but the disposal is so hedged in by old and contradictory laws and regulations that little finds its way into private ownership. Other laws and regulations provide for the management by several government agencies of the rich resources of these lands—lumber, minerals, oil and gas, grazing, and so on.

The bill before the Congress, by Congressman Aspinall of Colorado, chairman of the House Interior Committee, would set up a Public Land Law Review Commission to study this hodgepodge of laws, rules and regulations and to recommend legislation for simplifying and improving them for the public good.

TAXATION

The tax bill likely to be voted on before the end of the year will bear little resemblance to the initial proposals of the President as they appeared in his message of last January.

The legislation will most certainly undergo further surgery in the Senate Finance Committee and possibly on the floor of the Senate.

Indications are the House version will be before the Finance Committee for possibly two months, during which time Committee members have indicated they will seek a number of changes.

Two items certain to be considered are the repeal of the dividend credit, now in the House version, and a repeal of part of last year's law which drastically changed the allowable deductions for travel and entertainment expenses.

TRANSPORTATION

With the two major issues of the railroad work rules dispute having been submitted to binding arbitration and the other issues subject to collective bargaining, the railroads should soon realize overdue relief from featherbedding.

The over-all problem, however, involves not only the 200,000 rail operating workers but includes 550,000 nonoperating employes as well. The eleven unions representing the off-train workers have asked the railroads for a wage increase of 29 cents an hour along with a number of fringe benefits. The railroads, in reply, have requested changes in work rules imposed by previous contracts with the nonoperating unions. It has been estimated by some rail officials that the industry could save up to $300 million a year if these requests were met.

This compares to the $600 million railroads are losing because of featherbedding practices by operating workers.



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ANTITRUST GOAL

continued from page 39

spect to the major corporations in our country.

There was a bill this year that Paul Rand Dixon, chairman of the Federal Trade Commission, testified on, which I fully support, because it would have provided funds to obtain this type of information.

That I am strongly for, because one can hardly be expected to administer the antitrust laws without adequate information. I think that if we had more adequate information we might in many instances be spared unnecessary labor and spare the defendants the cost and expense of responding to a civil or criminal process.

What types of specific information would you like to have?

Well, I think we need additional information with respect to earnings of divisions of corporations; we need statistical information with respect to different types of markets.

How would knowledge of the earnings figures assist you?

I think they would show in many instances, for example, where there have been conglomerate mergers, whether the corporation is able to compete in the market only because of its so-called long purse or whether in truth and in fact it is a bona fide competitor. They would enable us to make judgments which are now difficult as to whether or not to pursue particular lines of inquiry.

Are there other types of information that you think are important to have?

Yes, it would be very helpful for us to have information concerning the production and sales of products by the largest companies in the United States. This information would not only permit us to evaluate the scope and nature of concentration within an industry, but it would also give us useful knowledge as to the relative market position of various competing firms within an industry.

This information would be most helpful in trying to determine whether or not contemplated mergers will substantially lessen competition.

In addition, it would be helpful if we had information concerning past acquisitions and consolidations of the largest firms in the United States so that we would be able to evaluate the trends within a given industry.

Also, we would like to have information concerning the joint ven-

(continued on page 49)

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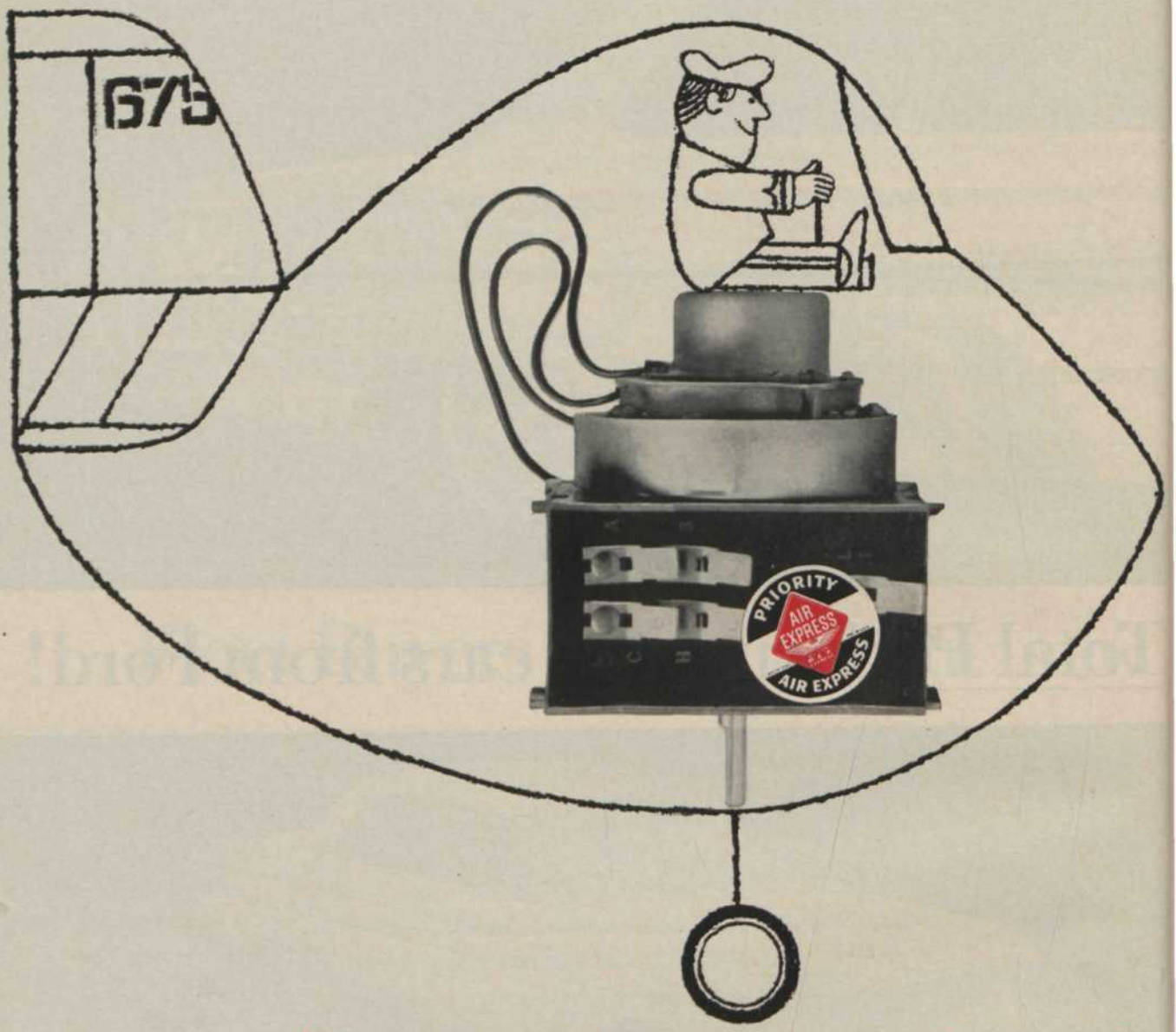
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Mallory is convinced that Air Express is the one way to get dependable, economical, overnight delivery to and from any part of the country. See for yourself.



ANTITRUST GOAL

continued

tures of many American industries, particularly when those ventures are with foreign subsidiaries or foreign affiliates.

The Sherman Act is nearly 75 years old. The Clayton Act will be 50 years old next year. Just on age alone one might think they need updating. Do you feel they do?

Here again, owing to my having come so recently to the Antitrust Division, I have not crystallized my opinion on that.

I would point out, however, that the Supreme Court, speaking through Chief Justice Hughes in the Appalachian Coal case, has likened the Sherman Act to the Constitution of the United States, in that he has said, in effect, that it is a charter capable of interpretation under varying times and economic conditions. And I think the history of the Act bears that out.

Businessmen and lawyers complain that the antitrust laws are unclear and there is confusion, at least in their minds, as to what they may and may not do. How would you answer them?

It is true that there are areas of uncertainty in the enforcement of the antitrust laws. However, this uncertainty is explainable in part by the fact that the antitrust laws themselves are, and have to be, general in nature, because they seek to guarantee the maximum opportunity for the functioning of our free, competitive enterprise system and, therefore, they were designed to proscribe any form of business activity which reduces opportunities for competition.

It is my belief that the very generality of the antitrust laws is their greatest strength, for it has been possible to apply them to all of the various forms of activity which astute minds have created to reduce competition.

Therefore, I think that a great deal of the so-called confusion regarding the antitrust laws is unjustified because most businessmen, and attorneys who advise them, can predict with some certainty whether or not a proposed course of conduct is going to impede the functioning of our free, competitive system, and therefore fall outside the antitrust laws.

This is not to say, however, that there are not areas of the law which are uncertain and which need clarification. One of the functions of the Antitrust Division is to bring cases which will give the courts an opportunity to clarify those areas which may seem uncertain.

Thus, for example, in the merger field, many banks have undoubtedly been advised by competent counsel that the banking industry was not subject to the provisions of the Clayton Act or at least that there was a strong likelihood that the industry would not be covered by the act. However, this question was not definitively decided until this year when the Supreme Court held in the *Philadelphia National Bank* case that bank mergers are subject to Section 7 of the Clayton Act.

Perhaps the greatest area of uncertainty is in the merger field, since we are dealing with a statute which is very general in terms and which prohibits those mergers which may substantially lessen competition. The question of substantiality is a difficult one for lawyers, economists and businessmen.

Ever hear of APW? It's WPA spelled backward. How it spends your money is told on **page 34**

In the Antitrust Division we hope to remove as much of the uncertainty as possible by the establishment of our clearance procedure, under which businessmen contemplating a merger may present all of the relevant facts to the Department and ask us whether or not we intend to proceed against the merger on the basis of the facts presented.

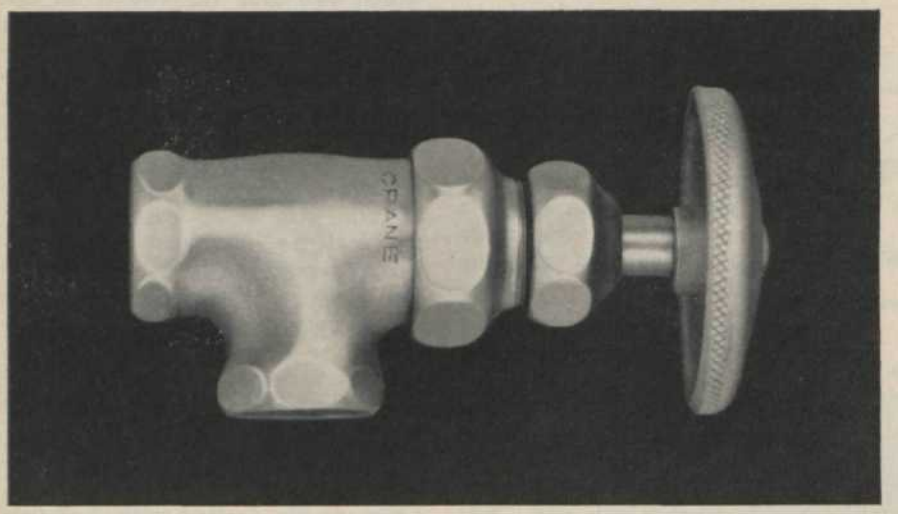
Although the Department of Justice does not provide free advisory services, we do feel that the merger clearance procedure, when properly used, can lend a high degree of certainty to the business decisions which businessmen must constantly make.

What could you suggest to a businessman wanting to know if a contemplated merger is all right legally?

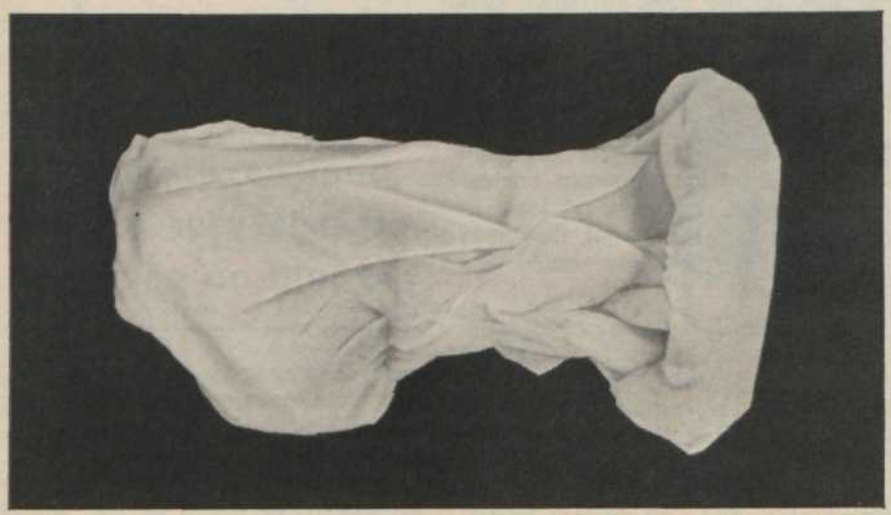
I would suggest first that he hire competent counsel, because antitrust laws are enforced really through the advice that competent lawyers give their clients.

They might advise the business-

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ANTITRUST GOAL

continued

man to take advantage of this merger clearance procedure to which I referred, or they might advise the businessman to disregard the Department. Or, the lawyers might advise, on knowledge of the law, that there wasn't any reason to be concerned about a violation.

A businessman should pay attention to the law, and he should pay attention to what his lawyer tells him the laws are.

Do you feel that you are overlooking any cases now that ought to be looked into?

Yes, very definitely; we are.

How big a staff would you like to have?

Of course, the number of attorneys I could effectively use in enforcing the antitrust laws is virtually limitless. The Antitrust Section of the American Bar Association numbers over 5,000 members. These attorneys are working constantly on matters to which I have merely 300 attorneys to devote their attention.

I do think it would be helpful if our staff were increased in size so that we could establish field offices in addition to the six we now have. It has been our experience that when a field office is opened in a locality, our enforcement program is greatly enhanced there and the incidence of antitrust violations is substantially reduced.

The government has been described as being frigid toward mergers. Would you comment on this?

Yes, I don't think that is accurate.

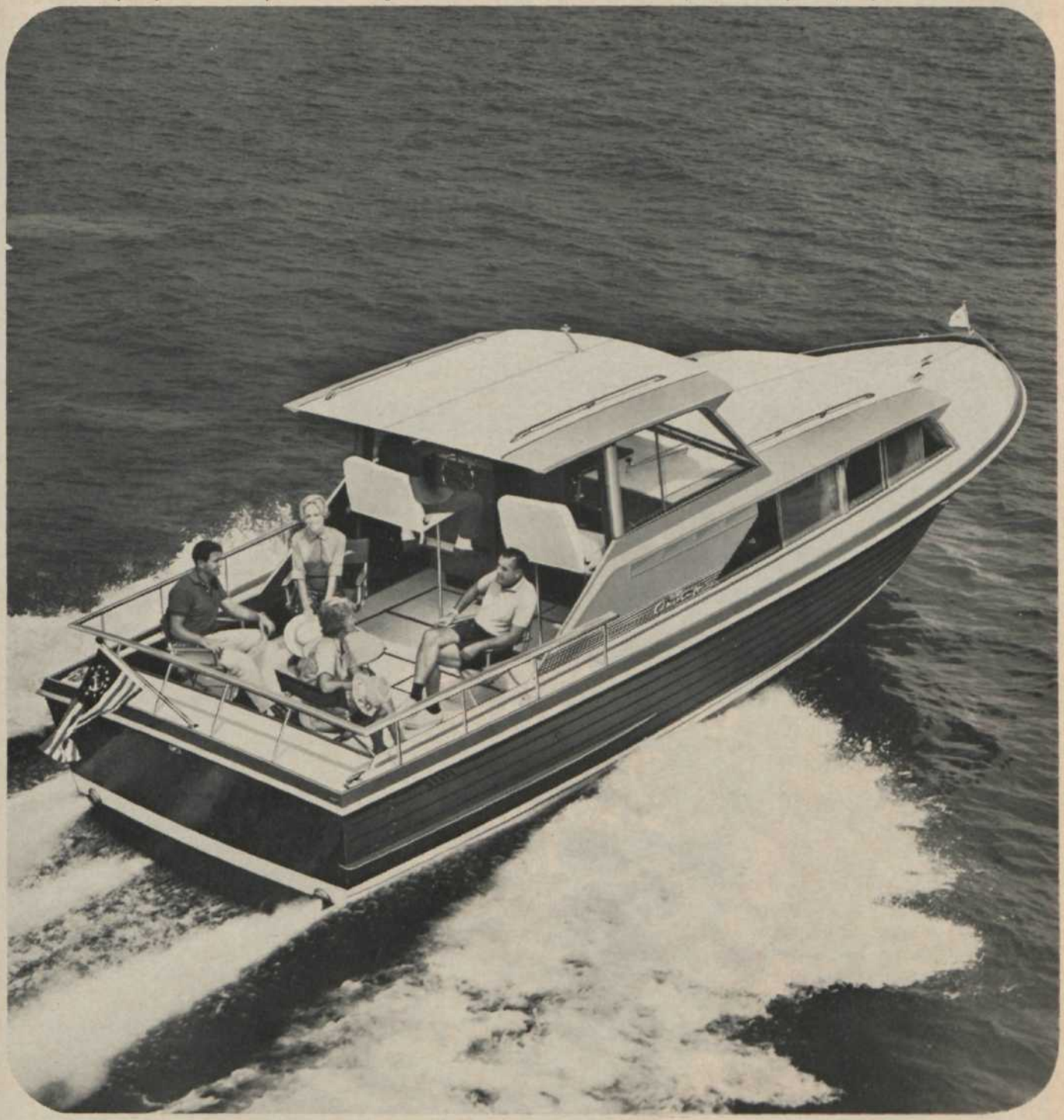
It is our job to find out whether a proposed merger may substantially lessen competition. If it does, then, the government is not only frigid, it is rigidly opposed, because the law is against it. And on the contrary, if it is not, why, it is no affair of the government.

What would you consider guidelines for determining when competition is lessened?

That is difficult enough for a Supreme Court Justice, and I would have to fall back immediately on cases, and cases differ in particular industries.

In the Philadelphia bank case, Justice Brennan thought that where there was 30 per cent of the market concentrated in the proposed new

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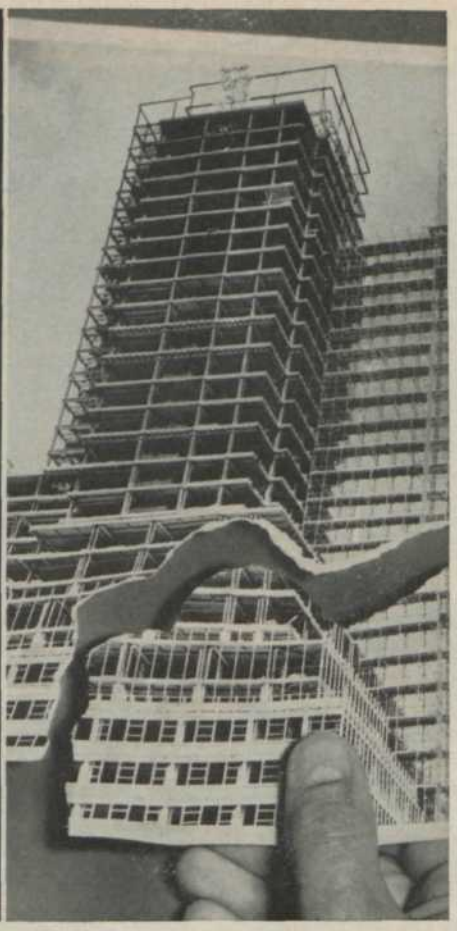
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ANTITRUST GOAL

continued

bank, that this tended substantially to lessen competition.

In the Brown Shoe case, the Chief Justice thought that where concentration was as low as 5.2 per cent, that tended substantially to lessen competition.

And we are, of course, bound by the interpretation of that statute made by the Supreme Court.

So I am not going to attempt any blanket guidelines on that.

There are many of my colleagues at the bar that are far better qualified to make that type of a recommendation to their business clients than I.

Do you think that over the next several years the vagueness of the law may be cleared up considerably?

Yes, I do. I think the Supreme Court each year helps clarify the law in particular fields. We have quite a few cases on appeal to the Supreme Court in this next term.

How do you feel about bigness itself?

I am certainly not against bigness *per se;* and to my knowledge, there has never been a case holding that bigness alone violates the Sherman Act or any other antitrust law.

Can an index of antitrust vulnerability be devised?

Yes, we can certainly give business a list of all the violations of the antitrust laws which have been held by the Supreme Court to be *per se* violations. Those violations include any form of price-fixing, boycotts, any form of market division, and any patent tie-in arrangements.

Is there any simple way to resolve antitrust uncertainty?

There is, in my opinion, no simple way to resolve the uncertainty with respect to exactly what tends to substantially lessen competition in each particular industry. I think it has to be looked at on a case-by-case basis.

Do you contemplate any organizational changes in the antitrust division?

We have made a few minor changes. One change that we have made is to establish a Policy Planning Group and put some of the sections in the division under the head of that particular group in the hope that we can chart a course

(continued on page 57)



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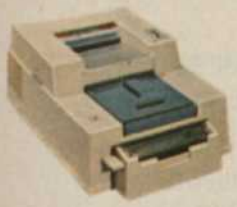
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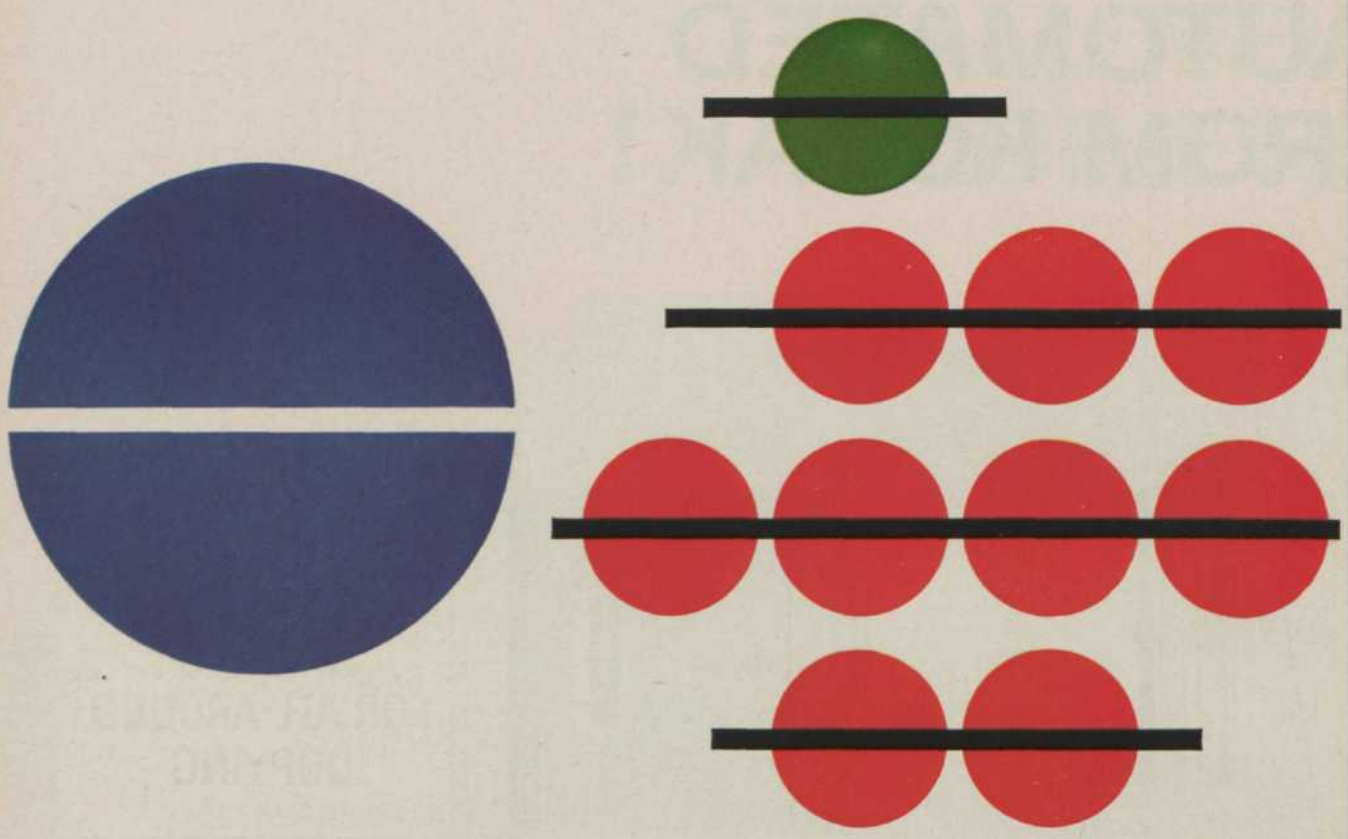
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ANTITRUST GOAL

continued

which we can follow in carrying out these laws.

How do you coordinate with the Federal Trade Commission in determining whether you or FTC will go into a specific case?

We keep each other fully advised as to what particular cases or industries we are investigating. If there is ever any question, we work it out by consultation.

There are people working in liaison.

How do you feel about putting labor unions under antitrust?

Well, I am bound, of course, by the statute, and the way the statute has been interpreted. When a labor union, in concert with a corporation that is not exempted from the application of the antitrust laws, engages in a conspiracy to restrain trade, the labor union can be held liable just as was the corporation.

How about the operations of unions that tend toward monopoly?

They are not covered by the act. They are specifically excluded.

Would you like to see legislation including them?

No, I would not, because I think they are in an entirely different field, and I think they have properly been excluded from the application of the antitrust laws.

In general terms, would you expect businessmen in the future to be confronted with more regulation or less?

I would much prefer to have businessmen confronted with far less regulation. The whole purpose of enforcing the antitrust laws is to develop a free capitalistic system and a competitive system where the consumer gets the benefit of competition in the various markets.

Do you think there has been a breakdown in business morality?

I don't think so, no; not among the businessmen that I know, or those who are high-type American capitalists who are trying to live within the law.

The price-fixing cases that we have had since I have been here have involved individuals who were not of this type; who were wilfully trying to violate the law.

You don't see any breakdown, then, in general terms, of business ethics?

No, I certainly do not. **END**



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WHERE YOU CAN CUT COSTS NEXT

Unnecessary expenses can be identified and eliminated

ONE OF THE BIGGEST CHALLENGES you will face in the next decade will be to reduce nonmanufacturing, or white-collar, costs substantially and permanently.

The job will be difficult even though the opportunities for making both direct and indirect cuts are innumerable.

One problem is that white-collar workers, like all other humans, are resistant to change—probably even more so than factory hands who have been caught in cost-cutting drives for years.

Another problem is that you are a white-collar worker yourself. Therefore any attack on white-collar costs will be an attack on your own background, on operations that you have built up and cherished and on the people with whom you work most closely.

A third problem is that white-collar operations have been studied so little and are often so imprecise that the cost-cutting areas are not clearly identified.

However, no one with whom NATION'S BUSINESS talked doubts that reduction of white-collar costs —call them management or administrative costs, if you prefer—is one of successful management's next important goals. A number of large companies are already working toward it.

In the first place, the profit squeeze forces consideration of any and all ways of trimming expenses.

In the second place, although this is not yet true in all industries, the production line no longer represents such great cost-cutting opportunities as it did 10 years ago when automation was a fairly new idea.

Also, white-collar workers now outnumber blue-collar workers, and their salaries have gone up. This makes them the number one object of attention, since large numbers of highly paid people obviously represent a great savings opportunity.

Yet another reason commonly given for cutting costs is that European firms operate with a much lower white-collar to blue-collar ratio than American and that this gives them a competitive advantage.

The chances are that, if you are analytical and imaginative enough, you will find it possible to make fundamental changes in operations, policies, facilities, which will bring about major cost reductions.

For example, in 1957 the New York Life Insurance Co. decided that the time had come to take drastic measures to reduce expenses which had risen 138 per cent in the previous decade. Up to then, in an effort to provide the promptest possible service and to localize its business, the company had handled all selling and accounting functions in more than 200 branch offices scattered around the country.

The decision to move all clerical work out of these offices into 17 large central service offices was not easy. For one thing, although the company intended to let natural attrition solve the problem of laying off people, it feared the public would get the wrong impression. It also worried about the move's effect on agent morale. But the need to proceed was imperative.

Last year, in a speech at Chicago, Dudley Dowell, president of the company, described the results:

"We have achieved impressive gains in productivity without any serious effect on morale. About 2,100 people are now handling a volume of work that would have required a force of above 4,000. . . .

"During 1962, this will mean a savings to the company of more than $5 million in annualized payroll alone. There are additional savings in rent and machine rentals. Furthermore, these savings should increase in the future, for this new system will make it possible for us to handle an increasing volume of work without increasing our clerical force proportionately."

A number of cost-cutting opportunities in the white-collar area follow. Some are of a general nature, others quite specific. Some are extremely broad, others precise. But in the opinion of a number of busi-

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Centralization of some company functions will almost always save you money by eliminating a lot of duplicate personnel

James Newman
Booz, Allen & Hamilton



Top management should regularly review research and development work to make sure these costs do not become excessive

Dr. Lawrence W. Bass
Arthur D. Little, Inc.



You may save by moving into a new office, but you must plan efficiency, it doesn't just occur. You must study workflow

Richard L. Forster
Ebasco Services, Inc.



In marketing, it's well to evaluate carefully your practices and concentrate on activities that are profitable or hold promise

Clark Sloat
Price Waterhouse & Co.

nessmen, management consultants and American Marketing Association staff members, all can—and should—yield sizable savings.

Organization structure

Is the structure of your company to blame for high white-collar costs?

"It often is," says James Newman, vice president of Booz, Allen & Hamilton, who recommends three areas for investigation.

1. Have you decentralized too far? Mr. Newman believes strongly that decentralization strengthens companies. "But there is no doubt that centralization will almost always save money by eliminating a lot of duplicate personnel," he says.

The trick is to organize your company so that you enjoy the advantages of both centralization and decentralization. One way to do this is to centralize such functions as purchasing and public relations. Another is to regroup products in the light of present distribution patterns.

2. Are departments or sections of your company too small? Some years ago a paper company that found a market for waste liquid from its mills set up a completely staffed chemical division to run the new business. But the division succeeded in developing only a $2 million market (compared with total company sales of $180 million), and the cost of doing business was such that eventually the operation had to be folded.

3. Do departments have needlessly overlapping operations? For example, a machine tool company with manufacturing centralized in one large plant was broken down into four autonomous divisions each with its own manufacturing boss. The result was costly chaos.

General payroll

If you have to lay off people to cut costs (there is no better way, in some cases), bear three rules in mind:

- Be selective about whom you cut.
- Let natural attrition take its toll.
- Don't reverse your field.

One way to determine where you are overstaffed is to compare your distribution of occupations with that of other companies in your industry [see "Check Your Management Costs," NATION'S BUSINESS, January 1962]. For example, if your ratio of marketing to total

CUT YOUR COSTS

continued

employes is 10 to 100 while your successful competitors' is only seven to 100, something is probably awry. Of course you may have reason for your higher proportion of marketing people, but if investigation doesn't show it is a sound one, you would be well advised to reduce the force.

Other signs of corporate fat:

A department that has outlived its usefulness.

A supervisor with too few subordinates.

A manager supervising an assistant manager who in turn supervises five or six people.

A company with too many layers of people.

A title that is too high for the job.

Unless you are faced with an emergency that requires hard, fast cuts, the best technique it to let nature run its course. (This is particularly true when you are dealing with scientists, who are notably touchy and suspicious of working for firms that have had firing orgies.)

Average rate of turnover for all employes is approximately 15 per cent; for clerical workers, close to 30 per cent.

Once you have gone through the process of removing excess employes, it is expensive to turn around and start hiring again. "But this happens all too often," says Malcolm W. West, Jr., principal associate of Cresap, McCormick and Paget. "That is why it's essential that you set up preventive machinery or controls to hold the line."

Mr. West believes that the manpower budget which forecasts actual manpower needs is your best control.

Another is a financial man who has the authority to speak out and crack knuckles.

Research and development

If research and development costs seem excessive, it is usually because the top executives in the companies involved do not really understand the research function and hesitate to interfere with it. This, obviously, is wrong.

According to Dr. Lawrence W. Bass, vice president of Arthur D. Little, Inc., top management should review these operations regularly and in depth. Questions to ask are these:

Is your R&D head a functioning member of top management? If not, he won't be accepted by other members of top management and won't get his way when he should. Furthermore, if he is more scientist than administrator, he may not be sufficiently conscious of the need for holding down costs.

Have you laid out guidelines? Unless you have a scientific or engineering background yourself, you probably cannot tell whether your research department is spending its money wisely. You must rely instead on its director. But even he can't be sure that he's on the right track unless you have spelled out what you expect the department to accomplish and when.

Are you doing too much defensive research, not enough offensive research? Says Dr. Bass: "In most companies, better than 50 per cent of the R&D work is defensive—designed simply to help a company hold its own. And many companies are concentrating so heavily on this type of work that their aggressive, forward-looking research is close to the vanishing point."

Politics is in the air at the White House as '64 approaches. For an inside look at plans, see page 40

All companies must do considerable defensive research, he says; some are in no position to do much else. But generally speaking, a research department that is not doing a healthy amount of work aimed at development of new products is not strengthening the company for the future.

Do your research projects take too long? The scientist or engineer who is a perfectionist is fairly common. And he can waste money and lose valuable lead time by his endless fiddling unless your research director knows how to handle him, and also knows how to schedule research projects properly in the first place.

Are your sales and production departments compounding your research costs?

Many sales and production departments indirectly lengthen the life of research projects because they do not want new products which will upset their lives.

An even more common fault is that operating departments—particularly sales people—demand that R&D keep pace with competitive developments, thus giving the scientists little time or encouragement to work on new fronts.

Are your researchers doing things in costly traditional ways? For example, promising new chemical products normally progress from the laboratory to pilot plant to commercial production (often a prepilot operation is used, too).

But du Pont, currently developing its new polyimide resin, Polymer SP, has decided not only to by-pass the long, high-cost pilot operation but also is skipping part of the market development stage and is selling finished products directly to end-use manufacturers on a semicommercial basis.

Finally, are you failing to take advantage of a productive research organization because you lack the resources—money, facilities, courage—to produce and sell their developments? If so, you yourself are guilty of wasting money.

Marketing

Despite the enormous cost of marketing goods and services in the United States, efforts to save money on this have been feeble.

Admittedly, great progress has been made in the use of market research to guard against the costly introduction of products that nobody wants.

And since the advent of the computers, more and more companies have taken constructive steps to improve inventory management.

But the big breakthrough is yet to be made. It will come only when marketing management takes a new look at some of the traditional theories and practices and sets out —with the help of accountants—to analyze distribution costs in detail.

These are some of the questions you should ask:

Do we need a large sales force? L. Reed Clark, senior vice president of Clark, Cooper, Field & Wohl, New York management consultants, says: "There isn't a company in business with a field sales force in excess of 50 people that can't make a saving in the operation. And there are a lot of smaller organizations that can do the same thing."

Some companies find that, because advertising is their principal selling tool, their sales staffs have little to do except collect orders; consequently, they can be cut drastically.

In other companies, large accounts which need virtually no service are being shifted from sales-

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CUT YOUR COSTS

continued

men to top executives who get no commission.

Are your sales territories designed for profit? A plumbing fixture firm discovered that the sales potential of its 65 territories ranged from 0.5 per cent to 3.5 per cent. The salesman in the 0.5 territory was having trouble earning a commission large enough to feed his family; the salesman in the 3.5 territory, on the other hand, was fat, happy and producing only half of the business that he should.

Are your salesmen calling on too many customers? Oldtime sales managers often argue that no customer, no matter how small, can be ignored because he may be a big one tomorrow. This, however, happens only rarely. Many small customers are nothing but an expense.

Clark Sloat, a partner in Price Waterhouse & Co., says:

"I'm not suggesting that you can eliminate all small orders, all sales calls that don't produce big orders or all sales calls on prospective customers. People in marketing must give thought to the future. But I am suggesting that you carefully evaluate your practices and concentrate on activities that are profitable or hold good promise."

Is your product line too broad? Another widely held marketing theory is that it pays to offer a full product line—even though some items are sold at a loss—because customers find it easier to buy everything they need from one source. But even cursory investigation shows that a great many customers do not feel this way.

Are your salesmen giving too many price concessions, too much free service?

"All salesmen offer some kind of extra service to their customers," says Bruce MacGregor, marketing specialist in the management services division of Ernst & Ernst. "And almost all have some leeway over price. For instance, they can give extra discounts or promotional allowances. But these cost money, often a lot more than you think.

"For example, we recently analyzed the marketing costs of a food company and found that its selling costs in one territory were 3.5 per cent of sales while in another territory they were 11.9. Obviously, that last figure was way out of line.

"Most companies have not analyzed their marketing costs. But if you will, you'll discover the high cost areas in your operations and can do something about them."

Office operation

The opportunity to cut office costs drastically grows despite the efforts that have already been made to pare them. The explanation for this strange situation is twofold: The great American clerical force is expanding at the rate of about six per cent a year and already totals 10,250,000; yet few businessmen seem to have recognized what this is doing to their costs.

Great savings can be achieved if you simply ask—

What office work is necessary?

Who in the office is necessary?

Many things which are done in your office may not be necessary. Therefore, one of your first steps toward reducing office costs is to find out which these are and then stop, or at least reduce, them.

In many instances, part of the answer may be in paperwork simplification. Companies producing business forms and other office materials can show you how to save in this area.

The other step is to trim your clerical staffs to fit the jobs they must do. You will probably be surprised at how many people you can do without.

Richard L. Ganzi, president of Paul B. Mulligan & Co., Scarsdale, N. Y., office management consultants, says clerical staffs are on the average 30 per cent larger than they need to be.

For example, in 1951 when Mulligan engineers were called in by a midwest steel company, they found that the accounts payable department in one plant had a clerical force of 13. Working with the office supervisor, the engineers undertook to determine exactly what these people did, how large their workload was and how much time their work should actually take.

The answer showed that the staff could easily be reduced to eight persons without affecting office performance. And subsequently, because of a decline in the volume of work at the mill, two more persons were dropped.

"I estimate that in 12 years that company has saved about $250,000 in salaries in that one little office alone," Mr. Ganzi says.

Make or buy

Could you save money by buying outside white-collar services that your company is now performing on the inside?

Maybe. Maybe not. Most businessmen prefer to be do-it-yourselfers, and they argue that if you do your own work, you have better control over the operation. You may be able to save money by spreading a man over a couple of jobs. And instead of paying the fees charged by independent service companies, you can do the job just as well with a couple of young men who can be hired for a song.

The argument in favor of hiring outside services goes like this:

"Yes, the men employed by outside service companies are likely to be paid more than insiders; but remember that they are also likely to be more experienced—real specialists. They don't need any training. Therefore, they can do a better job for you from the very start than less well paid men.

"Furthermore, an outside service can provide more flexible service. For instance, if you don't need a full-time promotion operation, you can buy one outside on an hourly or per-job basis. This is obviously more efficient than hiring your own promotion man, who can keep busy only by doing a variety of jobs for which he may have little skill or interest.

"Finally, are you sure that you are figuring the cost of doing the work inside accurately? Some men make the mistake of figuring costs on the basis only of the salaries paid. They forget that the true cost of employing a man is two to two and a half times his salary."

Office rent

You may save money by moving from an old office building into a new one but it's hard to tell how much. Actual savings in rentals will probably be nil; about the best you can hope for is that you'll come out even. But savings resulting from the more efficient layout and attractive, comfortable design of the new building can be substantial.

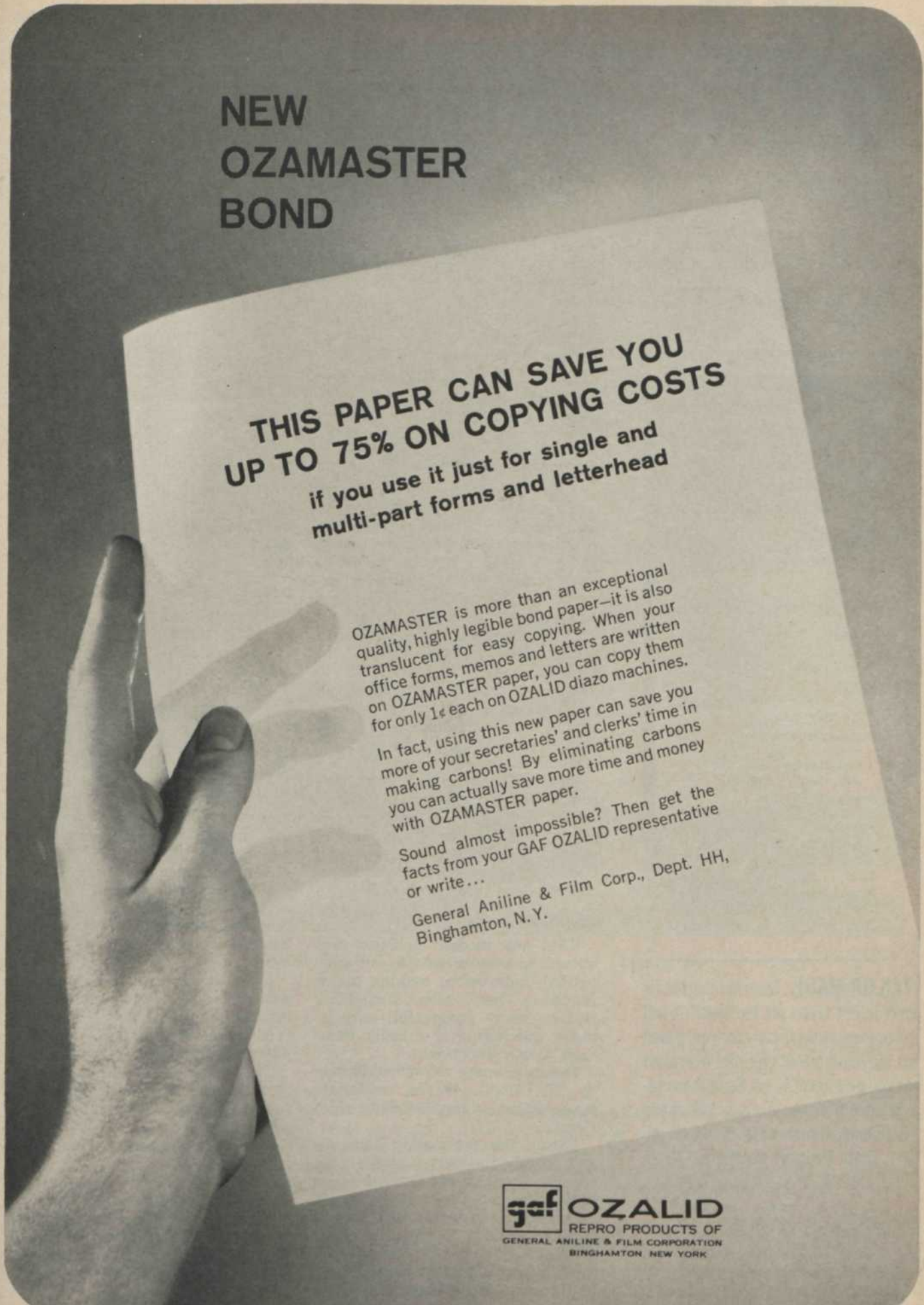
How substantial is up to you.

"Too many companies forget that efficiency must be planned for in a new office; it doesn't just occur," says Richard L. Forster, manager of the facilities and community planning service of Ebasco Services, Inc. "The result is that they don't get the savings they hoped for.

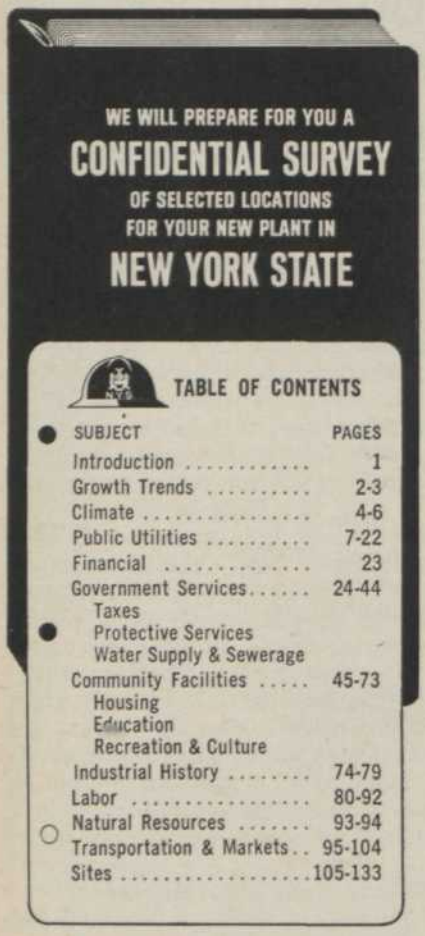
"If you're going into a new building, you must have a workflow study made beforehand. And no matter how well you lay out the office, you must run it efficiently after you move in because things left to their own devices somehow always become complicated."

Some of the cost-saving advan-

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Keith S. McHugh

Keith S. McHugh, Commissioner
New York State Department of Commerce

CUT YOUR COSTS

continued

tages that you can enjoy in a well-planned office are these:

1. Your personnel wastes less time walking, spends more time sitting and working because their desks are located close to the elevators, water fountains, lavatories, filing cabinets, other desks.
2. Excessive fatigue resulting from high noise levels is reduced by modern acoustical treatment of ceiling, walls and floors.
3. Improved air conditioning and lighting makes for more comfort, greater productivity.

In addition, most companies find that moving into handsome new surroundings acts like a tonic on all employes from the top down.

Personnel department

"The personnel department in many companies has grown too big because it has assumed functions that are performed better some place else," says Mr. Clark. "Take management development, for example. Personnel should see that the various managers throughout the company do this job, but they should not do it themselves." In such cases personnel's role is to advise and assist, not to usurp.

Mr. Clark maintains that a personnel department has only three jobs: hiring, keeping personnel records, and labor relations.

"Any other function that personnel acquires," he says, "should be returned to where it belongs. If you will do this, you'll cut the size of the personnel department and cost of running it, and you'll get the job done better to boot."

Purchasing

That any modern business firm should have to be told to get competitive bids before making major purchases may seem incredible. But in many companies, surprisingly, purchasing is a badly managed, costly function.

Here are some recommendations by F. Albert Hayes, materials management counsel of Riverside, Conn.:

Define the purchasing function and specify the part that the purchasing agent or department plays in it. The purchasing agent must be given sole responsibility for selecting vendors, negotiating with vendors and placing orders. Engineers have a part in the purchasing function, but it does not overlap that played by the purchasing agent. However, many engineers have to be reminded of this; otherwise they often waste time and money trying to do things the lower paid PA does better.

Give your purchasing boss enough stature to hold his own with manufacturing and engineering.

Hold your purchasing people accountable for late deliveries which tie up production lines, sometimes force you to buy on the open market.

Require your purchasing agent to make a continuing study of materials and products of the type that you buy.

Investigate the possibility of buying from a single supplier.

Eliminate written forms for small orders. This is a growing practice. Kaiser Chemical and Aluminum Co., for example, sends an open draft which is good for up to $1,000 with its order for small supplies. All the vendor does is write in on the draft the names and prices of the purchased supplies, total the figures and deposit it in his bank.

Data processing

Although the computer is still generally rated as the white hope of cost-conscious business, it has sometimes proved to be a disappointment.

These are the marks of a well run computer operation that not only cuts costs but also pays for itself in many other ways:

The computer is used to work on major business problems. One of its important jobs is to help find new and better ways of running the business.

Top management reviews and challenges the plans and programs of the computer group, monitors progress, and insists on significant, tangible benefits from its investment.

Detailed plans are drawn up and studied before new computer projects are launched.

All completed projects are subjected to an economic appraisal.

The manager of the computer operation has had long systems experience, and the people under him are highly trained.

—STANLEY SCHULER

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COLD WAR OUTLOOK

Allen Dulles prescribes

Seven safeguards for dealing with Reds

Former director of Central Intelligence Agency analyzes communists' strategy

MORE NEGOTIATIONS, and perhaps more agreements, between the United States and the Soviets are probable in the months and years ahead.

Premier Khrushchev has made clear that he would like to follow the test ban treaty with talks on a nonaggression pact and possibly other East-West "accommodations."

Thus, this is an appropriate moment to think about the basic considerations which we as a nation should bear in mind in our dealings with Moscow, particularly where binding treaty obligations are concerned.

You will note that I do not refer to negotiating with the government of Russia. The fact is that we are negotiating primarily with the heads of the Communist Party of the Soviet Union, the leader of international communism.

Even though today its claims to leadership are being contested here and there and particularly by communist China, still the Communist Party of the Soviet Union remains a dominant factor in the rest of the communist world. It is also directing most of the communist parties in Free World countries.

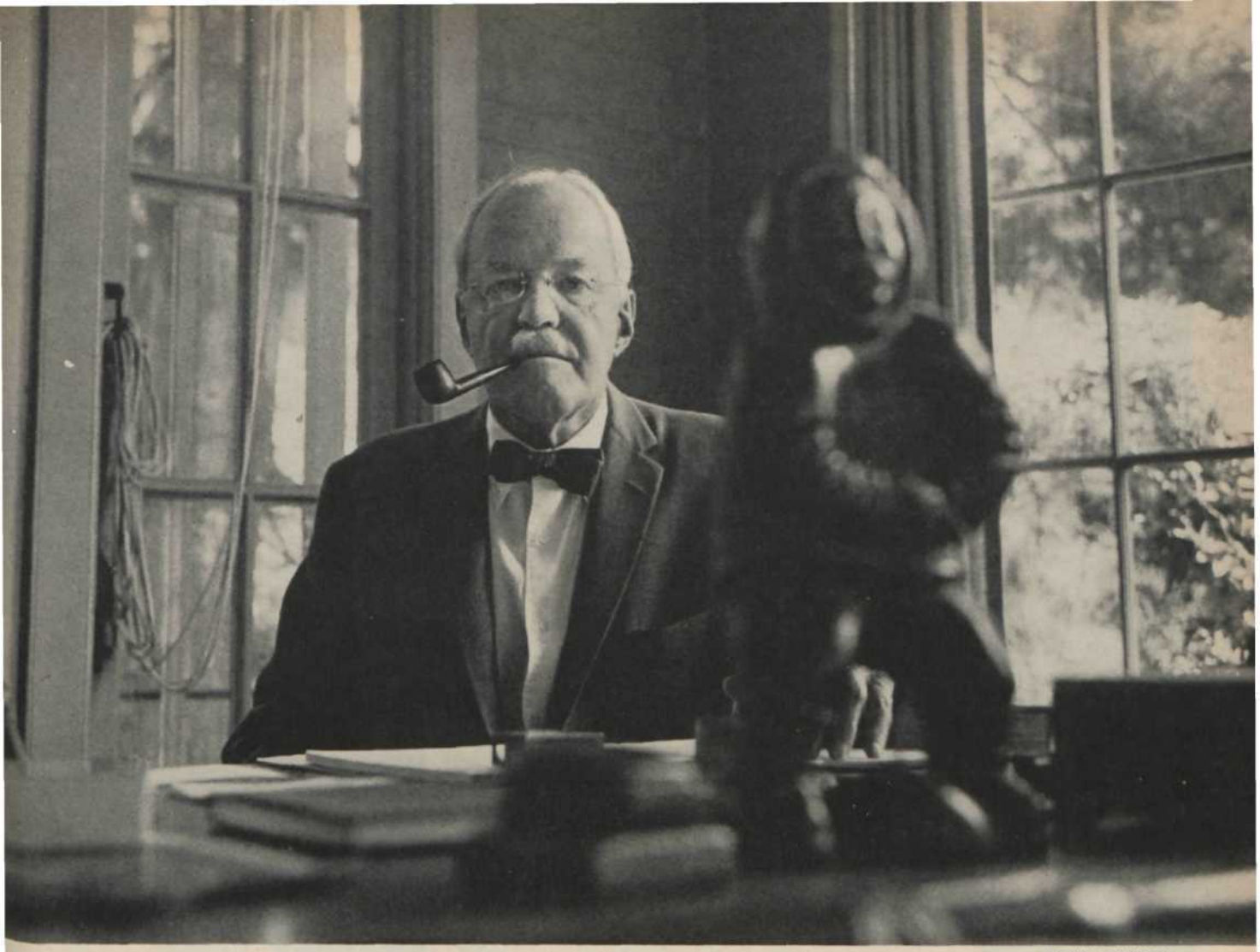
When we sign an agreement with the government of the USSR, of which Khrushchev is the first minister, we are really signing an agreement with Khrushchev as the first secretary of the Communist Party of the Soviet Union for it is in this capacity that Khrushchev has real power. The government is merely the façade which represents the party in international relations.

When we deal with Khrushchev, we must also realize that while he undoubtedly has at heart the interests of Russia, he is considering primarily how any agreements he may make will advance the cause of world communism, which is dedicated to world domination.

In his differences with communist China he parts from Mao mainly on the ways and means of achieving communist goals. Both are dedicated to burying us, only in different ways. Khrushchev has never by any act or word renounced any of the objectives of Marxist-Leninism, as he interprets them; he still adheres to the principles of his famous speech of January 6, 1961, setting forth his basic support of "wars of liberation." This means the overthrow, in one way or another, of all noncommunist regimes—as capitalist and imperialist. Certainly he would never enter into any agreements which would, in his view, be inconsistent with these aims.

Soviets shun law

It is also well to remember that the government of the USSR has not accepted the general rules of international law as binding on it, despite lip service to some of the principles set forth in the charter of the United Nations. In the application of these principles the Soviet Union has reserved the veto and



YOICHI OKAMOTO

Allen Dulles has served under eight Presidents. He is a lawyer and author of the forthcoming book, "The Craft of Intelligence"

used it a hundred times. It has been wary of international arbitration for the settlement of international disputes in which it has an interest. It has not joined many of the international conventions such as those to protect copyrights, patents, and the like.

Under these conditions we cannot look to the sanctions of international law to protect and give us satisfaction in case of Soviet treaty violations. In effect, there are no enforceable remedies or sanctions. We must protect ourselves by our own ability to take remedial action and by our judgment as to the force of public opinion to deter a treaty violator which follows Marxist-Leninist principles, which teach that promises are like pie-crusts—they are made to be broken.

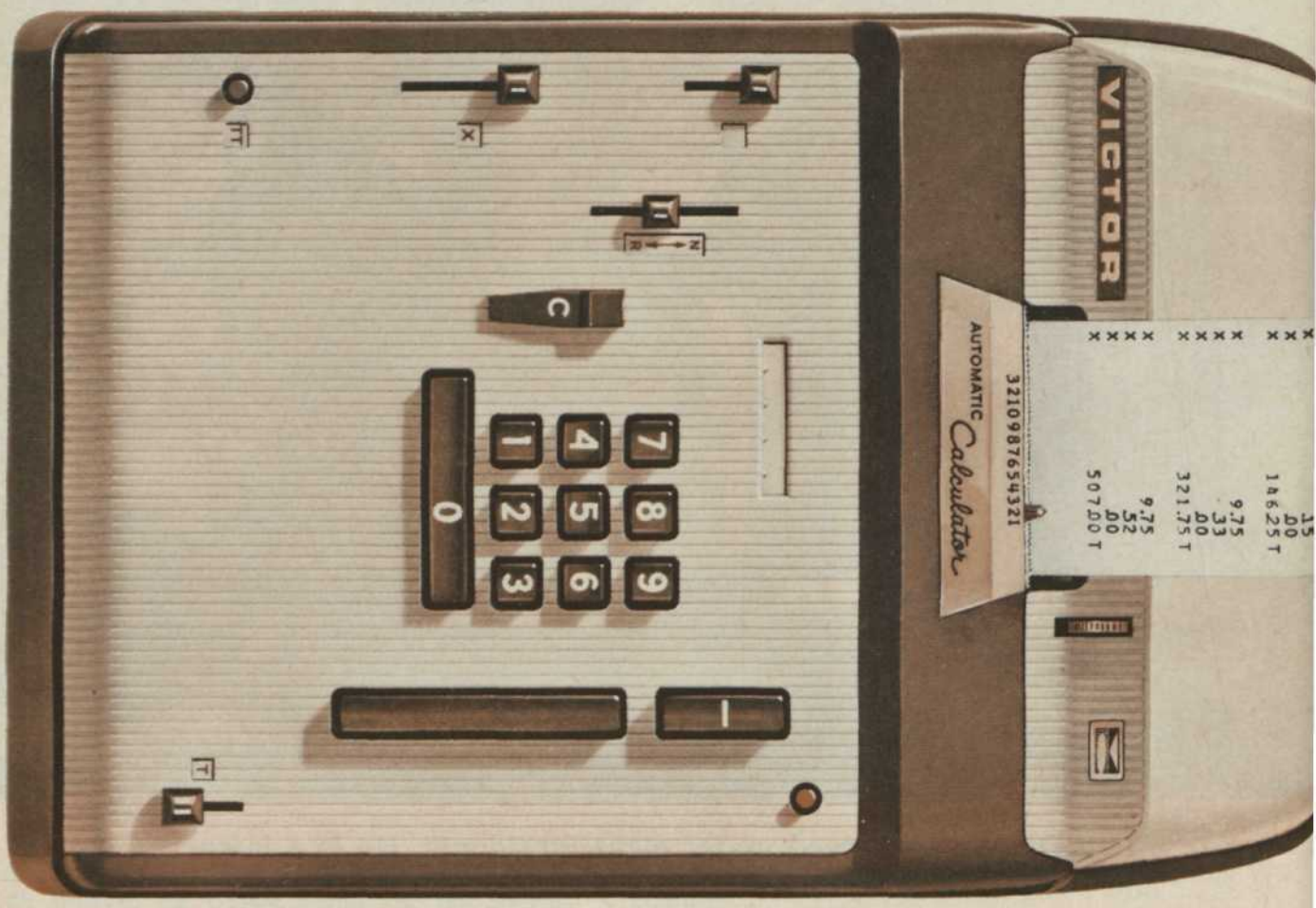
In the case of the Soviet Union, the influence of public opinion does not loom large. Controlling all domestic news media, Soviet leaders can easily explain away at home almost any act of the government. In the Cuban crisis of last year, they were able to persuade their public opinion—if one can call it such—that Khrushchev had worked throughout as a champion of peace.

As regards public opinion in the noncommunist world, at times Khrushchev acts as though a real shock to this public opinion is a useful weapon in the tactics of the cold war. For example, in September 1961, he chose the time of the meeting in Belgrade of the unaligned states as the moment for his unilateral denunciation of the informal test ban agreement and his almost simultaneous initiation of atmospheric nuclear testing. Obviously this test had been long in preparation and just as obviously he chose to "shock" world opinion.

Under all these circumstances one may well ask what use there is in negotiating at all with the Soviets and what protective action can be taken to see that commitments undertaken in negotiations do not work to our disadvantage.

The first question has already been answered; that is to say, even since the discouraging events of the postwar years in our dealings with the Soviets, we have negotiated agreements with them. In fact, we have even negotiated with communist China regarding prisoner exchange, Laos and other matters.

This has been no partisan political issue. Negotiation has been advocated and practiced by both Republicans and Democrats. On the general principle that there should be negotiations, there is no real issue. The Soviet Union is too important a factor in world affairs. To ignore either its existence or its power by a refusal to talk with them would be futile



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and shortsighted. Furthermore, there is every reason to believe that we are capable of negotiating without prejudicing our security if we realistically handle our affairs. We must, of course, take account of the hard fact that we have no basis in past experience to expect from the communists good faith in meeting any treaty terms if their interests become, in their view, adversely affected thereby.

If Khrushchev suggests a nonaggression pact, we could counter with the demand that the pact include a renunciation by him of his "war of liberation" policy; if Khrushchev suggests a pact to "ban the bomb" we could propose that all communist subversion be banned.

I do not wish to imply that we could rely on any communist assurances on these issues; at least we could throw more confusion into the divided ranks of communism if Khrushchev should accept our proposals.

Lose the peace?

There is an old wives' tale that Americans are good in winning wars, but that when they get to the negotiating table, they always lose the peace. History does not bear this out—though there have been times when we were negotiating in the world interest, as it were, and when we were unable to bring our allies to sacrifice their direct (and perhaps selfish) interests to the general good.

I saw something of this at the Versailles Peace Conference in 1919. Then in order to get the League of Nations charter as he wanted it, President Woodrow Wilson felt obliged to cede on other issues which seemed of less direct interest to the United States.

But, by and large, our negotiators have been able and effective protectors of American interests in international negotiations. Certainly today there is no excuse in history, precedent or practice for our being soft-headed in any negotiations with international communism or any of its representatives. We well know their objective in making agreements, and by this time they should know ours.

But despite what Soviet incentives for agreement-making with us may be, there is inherently no reason why certain agreements cannot be of material advantage to us, strange as that may seem at first glance.

For example, the 1955 Austrian State Treaty which provided for the independence of Austria and the mutual withdrawal of occupation forces appears to have turned out more to our advantage and to that of the West than to the Soviets.

You may answer that here the Soviets miscalculated. Maybe; that is always possible; they are not infallible.

Then there is the recent and little publicized treaty covering Antarctica. Certainly no country today should desire to quarrel over the frozen wastes to the far south. This vast area is open to air inspection by anyone who has the time and money to spend on it and any major unauthorized adventure by any country is likely to prove well publicized and unproductive.

Also I believe there has been mutual advantage in the executive agreements we have made with the Soviet Union for the exchange of visiting delegations from each side which have been looking into various scientific, technical, and industrial installations of the other country. The same is true of the agreements relating to international expositions, scientific conferences, and the like. It is hard to tell which side has profited the most. It is futile to speculate and best to leave it that each has benefited.

Suggests seven guidelines

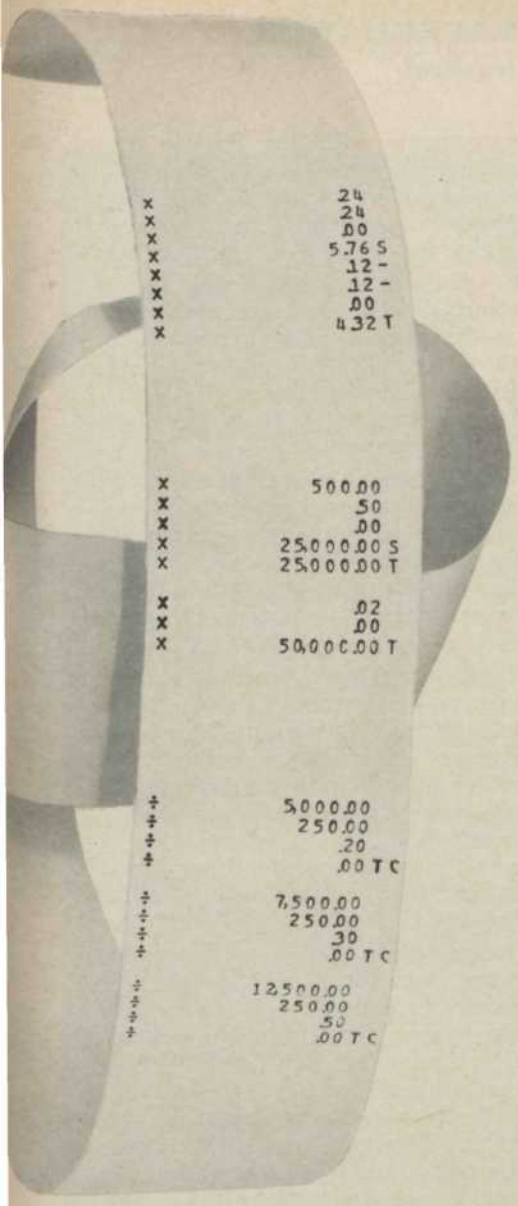
It is not easy to draw up clear specifications as to what type or types of agreements can safely and profitably be entered into with the representatives of the Soviet Union with its communist principles and its communist ambitions. Here are some possible guideposts:

1. The agreement should be executory in character and the actions under it should be so timed as to be simultaneously carried out; that is to say, neither party should modify its position to its possible disadvantage until the other party has acted likewise. (Example: Austrian State Treaty.)

2. The agreement should not depend upon unilateral action on our side against the promise of some future action by the Soviets.

3. The execution of the agreement should be self-policing or self-evident. (As most experts tell us is the case with the test ban treaty.)

4. The agreement should not be subject to misconstruction due to any possible difference of interpretation of its terms. (Our postwar



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Mr. Wendell Jarrard, Chairman
Florida Development Commission
Box 4309B, Tallahassee, Florida, 32304

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SAFEGUARDS

continued

agreements with the Soviets providing for "free elections" are examples. Here we found that this meant to them freedom to vote solely for communist candidates.)

5. The agreement should be as clear, precise, and comprehensive as the subject matter requires. (In the original 1945 agreement on Allied access to Berlin, too much latitude was left to those who later had to interpret it.)

6. "Gentlemen's" agreements which are usually vague in content and uncertain in performance should never be relied upon in our dealings with the Soviets. (The test ban agreement which Khrushchev broke in 1961 is an example.)

7. Any agreements which tend to open up the barrier of the Iron Curtain to freer intercourse, fuller exchanges of ideas, of culture and information should be encouraged. We have little to fear ourselves from what they in peacetime may send to us—except for their spies, whom they can and will send us anyway.

Our own willingness, under proper conditions, to negotiate and reach agreements with the Soviets must be an essential part of a positive foreign policy in dealing with communism.

We have only two courses open to us. The first is to accept a permanent division of the world into two camps and attempt the complete isolation of the communist camp; the second is to move forward, confident in our superior power—economic, military, and moral—and in the fundamental advantages of our free system of life, to a peaceful confrontation with communism. We should force the issue.

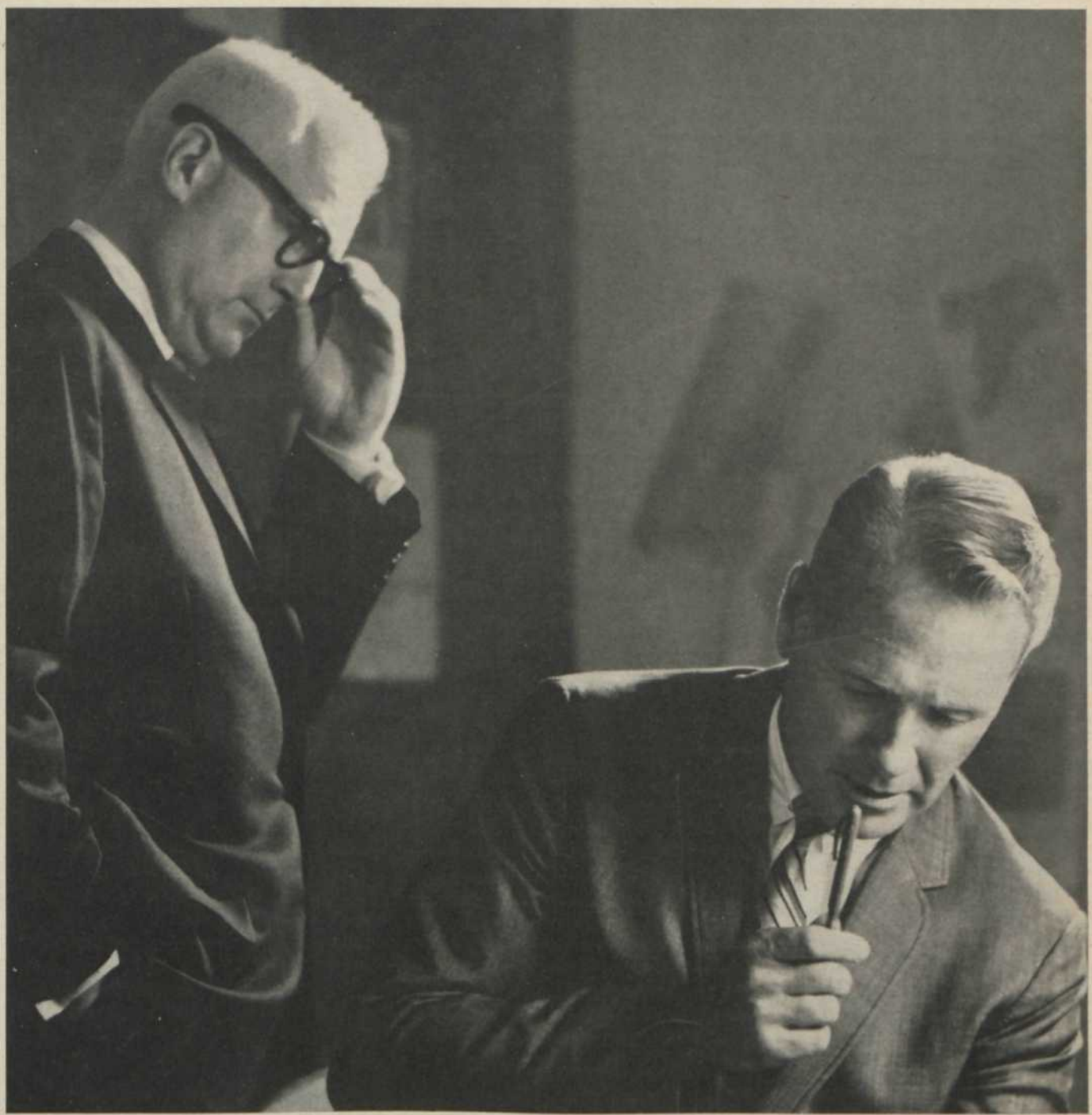
This latter course implies that we will not reject out of hand all negotiation, but that we should use negotiation as one of the means of bringing the two systems into contact and sharp contrast. I would even apply this principle to communist China. So far, they are the ones who have been, and continue to be, the party to reject it.

The case of the Soviet Union is different. Here we have, in effect, been challenged by Khrushchev to the test of competitive coexistence. We have been told that communism will bury us, but that this will come about gradually in the testing of the two systems, our free system

(continued on page 92)

"Good man, I hope
I can keep him."

"Fine job . . . but what do
I have to look forward to?"



Here's two-way insurance for the small business man

If you are the sole proprietor of a small business, you may have one key man you'd really hate to see leave, a capable assistant who could one day fill your shoes.

It is possible to give this employee greater incentive for long-term loyalty by providing at your death an opportunity for him to purchase your entire business interest. At the same time your widow is assured an adequate price for the business. A buy-sell agreement drawn by your lawyer and funded with life insurance may be the solution. Certain tax benefits, too, may make the plan even more worthwhile.

New York Life insurance has funded many business continuation agreements of this kind, to the great satisfaction of all. When your New York Life Agent calls, be sure to get all the valuable facts from him.

Or write New York Life Insurance Co., Dept. NB-6, 51 Madison Ave., New York, N.Y. 10010. (In Canada, 443 University Avenue, Toronto 2, Ontario).

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Shortages put new pressure on Russia

Scarcity of vital raw materials will keep Red bloc on economic offensive for years to come

CRITICAL SHORTAGES of raw materials in the Soviet Union threaten to keep Russia on a sustained diplomatic and economic offensive for years to come.

Whatever lull in future East-West tensions treaty talks may bring, the Soviet economic offensive is more likely to be stepped up than abated, as the Russians strive to show that theirs is the right approach to communizing the world.

You can expect a stepped-up Soviet drive to sew up the less developed nations as a reliable source of raw materials—especially metallic ores.

If the Russians are successful, they could:

- Strengthen their military and civilian industrial might.
- Gain stronger influence, political as well as economic, with the less developed nations of Africa, Asia, and Latin America.
- Disrupt world markets and corner reserves against possible long-term shortages.

The drive by the Russians, and their satellites, is well under way. Soviet geologists are prospecting for oil, iron, coal, gold, and beryl in Afghanistan, oil in Syria and Pakistan, and any useful minerals in Indonesia. They also have crews in Ghana, Ethiopia, Guinea, and Mali.

The Czechs are prospecting for copper, zinc, lead, and gold in Indonesia, helping the Moroccans with a copper mine, seeking antimony in Bolivia. They and the Chinese, as well as the Russians, are reported receiving nickel from Cuba.

Ironically, the Cuban supply comes from the Nicaro plant built by the Freeport Sulphur Co. for the U. S. government during World War II and expanded during the Korean war with a total investment of more than $87 million.

Free world experts are aware that Russia, while boasting vast reserves of most minerals, is hampered because they are located in remote regions, often consist of low-grade ores, and are inefficiently mined. This saddles the Soviet economy with staggering production costs.

Who aids whom?

Recent statements by the Russians themselves dramatize how shortages are undercutting their industrial drive, putting an entirely new slant on the Soviet Union's eagerness to extend the brotherly hand of assistance to developing nations.

In fact, the spectacle of backward countries preparing to swap their mineral wealth for geological surveys, obsolete weapons, and inferior machinery raises the question of who is aiding whom.

Major confirmation of the Russians' problem comes from Soviet



Minister of Geology Aleksandr V. Sidorenko, who warns in an article:

"The present level of explored mineral reserves was achieved primarily over a period of 30 to 35 years. . . . We must now increase our reserves by five to six times within ten to 15 years. . . . This will require a vast increase in investment—not just five to six times as much [investment] but far more."

Since then, some 4,000 deposits

have been scratched from the lists of reserves. It seems that local communist officials, anxious to snag their share of government investment, had been exaggerating reports of local reserves by including worthless deposits.

Even stronger evidence of the Soviet problem is found in a Young Communist newspaper which complained:

"Not only copper is scarce. Tin, nickel, lead—all these metals are extremely critical . . . There is in existence a list of products for which the use of non-ferrous metals is prohibited."

If these long-term problems weren't enough, the Sino-Soviet dispute put tin on Russia's list of critically short materials.

The Chinese also had been repaying Soviet aid by supplying tungsten and antimony, some of which the Russians then exported. China immediately began selling antimony on the world market when the dispute with Russia heated up.

Soviet drains satellites

The pinch is felt throughout the Soviet bloc, of course, since Russia has kept her satellites dependent on her for raw materials.

The Joint Economic Committee of Congress observes that "the satellite states are now importing iron ore, coal, coke, petroleum, cotton, ferrous and nonferrous metals on a scale so vast as to give the Soviet Union a firm stranglehold



Soviet Union and satellite partners seek key minerals in Asia, Africa and Latin America through aid-trade agreements

China, the only communist nation to produce tin at prices comparable to the west, accounted for 63 per cent of Red bloc production in 1960 while Russia consumed a full two thirds of the bloc's output.

Since the Russian-Chinese split, the Soviets, who had depressed world prices in 1958 by dumping Chinese tin, were forced to begin importing from Indonesia and mining high-cost domestic deposits.

over their steadily expanding heavy industry."

Russian and satellite foreign exchange problems are complicated by the poor quality of manufactures available for export. Significantly, this is partly due to materials shortages.

Thus a Warsaw newspaper bewails the "insufficient quality of the goods produced by us for the requirements of the Asian, African, and Latin American markets." Weaker materials in Polish motorcycles, for example, require the use of massive parts which lead to a weight advantage for foreign vehicles competing against Polish cycles.

In Hungary, there have been complaints that heavier trucks, horsepower-for-horsepower, give American vehicles a clear advantage in fuel consumption. Difficulties like these, plus lack of spare parts, explain why secondhand U. S. products bring higher prices than new Red bloc products.

Russia has had to pay hard cash for copper from Rhodesia and Chile, substitute aluminum for copper and for lead (another Chinese export), develop synthetic diamonds, concentrate heavily on plastics, and invest huge sums in mining equipment.

It's no wonder that Polish economists concluded earlier this year that the Eastern European countries should arrange more technical aid agreements with underdeveloped countries as a means of gaining access to their minerals.

How Cuba helps

One western expert suggests that this could reflect the continuing resistance among the satellites to Moscow's idea that their national economies should be subordinated to bloc-wide coordination and specialization of production.

The clearest bloc statement of economic objectives appeared, however, in a Czech publication. Noting that Cuba has become Czechoslovakia's third largest trading partner, it explained:

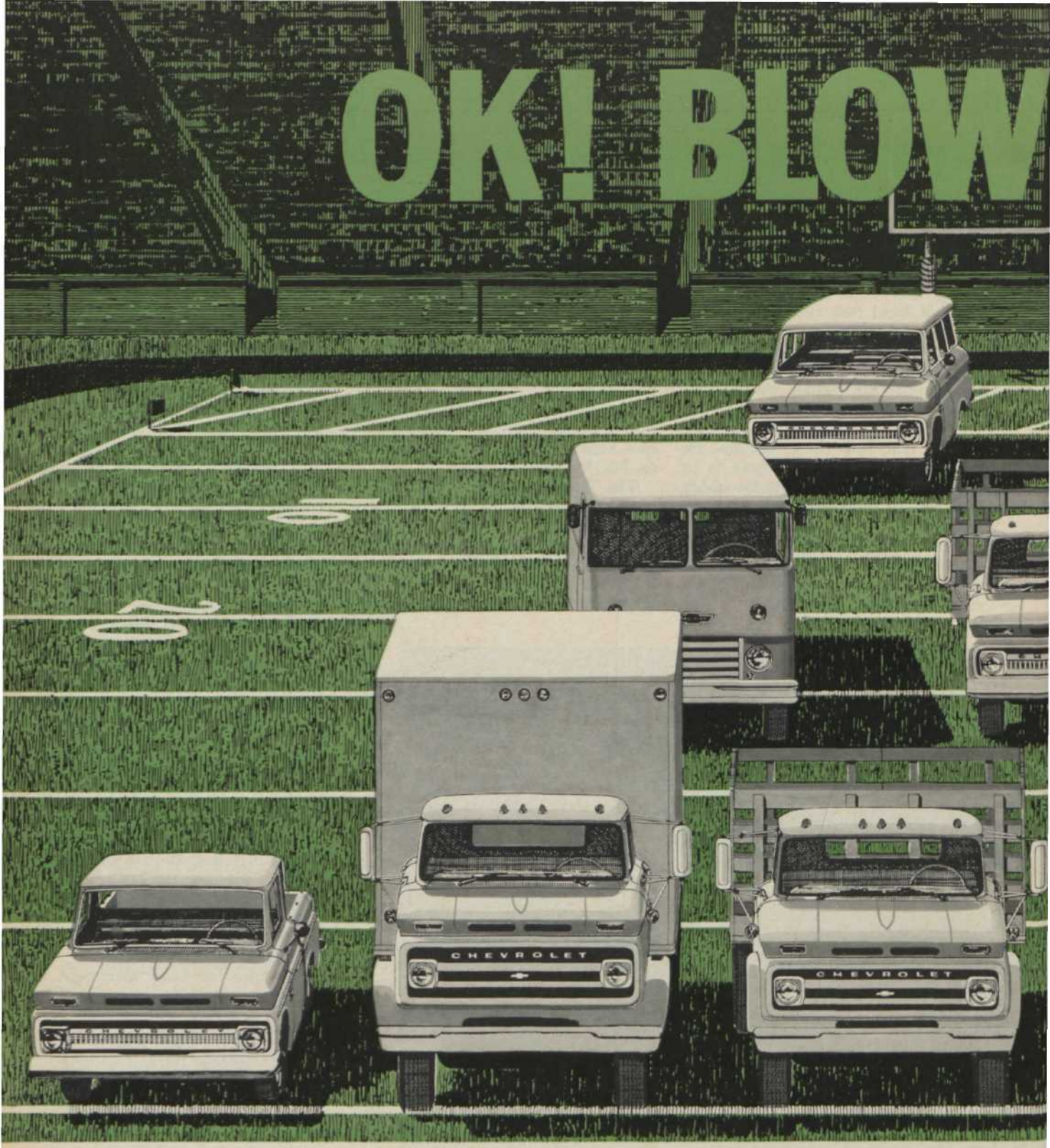
"Czechoslovakia mainly needs raw materials, while free Cuba values the competent technical assistance for industrialization.

"Today Cuba ships nickel and copper, as well as chromite and magnesium ores, to Czechoslovakia."

Bloc technical activity is usually conducted under agreements providing for repayment in ores, concentrates, and metals. These appear particularly attractive to the backward nations involved, because there is a world oversupply of many minerals they have in abundance and hence little market in the west.

Besides its needs for raw ma-

(continued on page 76)



Front row, l. to r.: Fleetside pickup, low-cab-forward model, 60 Series stake,

NEW 1964
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It's a lot easier to pick the best type of truck for your work this time. We now have three different kinds of covered delivery vans: regular panels, air-cooled rear-engine Corvans (which have more power this year), and eleven sizes of ready-made walk-in vans, some with full-width rear doors.

THE WHISTLE!



80 Series tandem, diesel tilt cab, Stepside pickup. ***Middle row,*** *l. to r.: Step-Van, light-duty stake, Step-Van 7.* ***Back row,*** *l. to r.: Carryall, Corvan.*

In addition to the two kinds of pickups shown in the picture, there's the rear-engine Corvair 95 Rampside with its exclusive side-loading feature.

In a few weeks we are going to show you a brand-new El Camino deluxe pickup. There have been some good-looking commercial vehicles turned out in years past but this is it. Words can't do it. Wait for the picture.

For dump truck operators, a new tandem with diesel engine is available this year for the first time.

A functional cab design change was made on all conventional and low-cab-forward models. Door openings are larger. Entry is easier.

Some of these things are important to some people. What's important for all truck users is Chevrolet quality. It's always been high but right now it's giving you the best built trucks in Chevrolet history—and that goes back to 1918.

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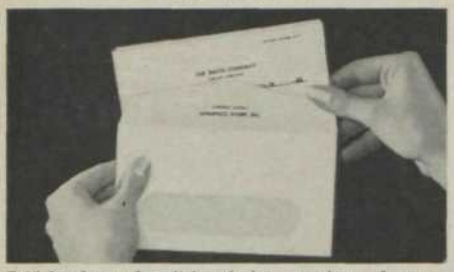
Bill in a breeze



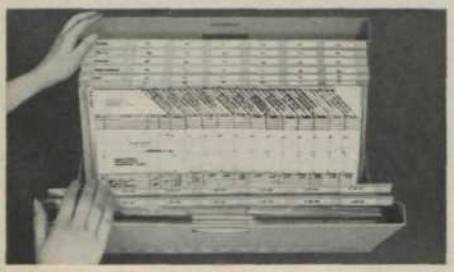
Enter items just once. They duplicate on invoice and ledger card.



Remove itemized invoice. Leave permanent ledger card in file.



Fold invoice and mail in window envelope. Average time, 12 seconds.



Check at a glance. Name and balances show on 2 visible margins.

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RED SHORTAGES

continued

terials and foreign exchange, there are other reasons why the technical assistance route is attractive to the Soviet bloc.

They include prospects for subversion, Russian coolness to outright giveaways, and political competition with the Chinese in the developing nations.

As to foreign exchange, a study for the Joint Economic Committee says:

"Soviet foreign exchange earnings have consistently fallen short of the requirements of their import programs. . . ."

The Russians' concern for hoarding gold reserves is revealed in their haggling over prices, their attempts to tie imports to exports, and their efforts to obtain longer-term credits and most-favored-nation treatment.

Leon M. Herman, Soviet economics analyst with the Legislative Reference Service of the Library of Congress, notes in particular how the Russians exploit geological surveys, and follow them up by prospecting for mineral deposits.

"The costs of these surveys are, as a rule, covered by a long-term credit from the U.S.S.R., and carried out with the aid of Soviet technical personnel.

"Hence, there is no current outlay by the recipient country; only a glittering promise of sudden enrichment by means of some important mineral find.

"At the same time, the Soviet Union stands by, ready to help with the process of extraction, and to defend the resource against the greed of capitalist interests."

George S. Carnett and Morris H. Crawford, of the State Department's Bureau of Intelligence and Research, add:

"Neutral states are told that acceptance of bloc economic assistance not only is consistent with a true policy of neutrality but also contributes to their ability to follow an independent policy. . . .

"Once the bloc has secured a foothold in a country, Soviet officials have their local communist agents do all they can to discredit free world aid programs and to encourage the local government to reduce and even break ties with the free world.

"The technical assistance programs provide valuable opportunities and means for ultimately influencing the nationals of the less developed countries," continue the State Department experts.

"While Soviet technicians as a whole have been careful to avoid the appearance of engaging in subversive activities, this type of assistance provides valuable means for ultimately influencing the nationals of less-developed countries in directions favorable to communist aims."

They estimate that some 6,700 Soviet technicians were working on economic projects in 1962, the largest number engaging in industrial projects and the second largest in prospecting for minerals or making geographic and geological surveys.

Soviet designs on bauxite reserves in Guinea to supplement imports from Hungary and Greece are believed the basis for attempts at subversion which resulted in the expulsion of the Russian ambassador from that African nation.

Western experts have long stated that Russia's main interest in the Congo was inspired by copper deposits there. They believe that well developed bauxite deposits in Red-run British Guiana offer the Russians added incentives for seeing that nation become the first communist satellite on the South American mainland.

As in the case of Cuba, the Soviets often extend military as well as technical assistance. A Congressional Joint Economic Committee report explains:

"It is a form of assistance that yields a maximum return at minimum cost. To begin with, countries that are in the market for foreign arms are often seriously embroiled in some dispute, domestic or external, and are, therefore, in a state of political disarray in which the communist minority could be expected to improve its position.

"Furthermore, the value of arms does not represent much of a drain on current Soviet expenditures. Quite often, the military equipment sold abroad is already technically obsolete in the U.S.S.R."

Some western analysts estimate that Russia receives some $40 million a year in tin, rubber, and other commodities in repayments for largely military aid to Indonesia, nearly equal to the profits formerly received by the Dutch on far higher investments.

As to long-range competition for the decades ahead, a report for the military warns that, "As industrialization progresses in Russia, China, India and . . . Africa, the older

(continued on page 92)

Opportunity

SOUTHEAST HOUSING GROWTH RATE LEADS U.S. AVERAGE

Construction of Dwelling Units in Alabama, Georgia, Florida, and Mississippi Nearly Doubles National Rate of Gain in First 6 Months of '63

Total increase in dwelling units in Alabama, Georgia, Florida and Mississippi has dramatically outstripped the national rate of gain in the first six months of '63. From January through June, the number of new dwelling units in the 4-state area increased 17% over the first six months of '62. This gain is in contrast to 9.3% for the U. S. within the same period. Total value of hotel, motel, dormitory, apartment building and house construction in the 4-state area almost doubled the national increase of 10.1% with an impressive gain of 18.2%.*



Adding extra significance to this residential building boom in the 4-state area is the fact that the biggest gains in construction have taken place outside the large metropolitan centers. This contributes to a balanced pattern of growth throughout the region and reflects a stable economy for both urban and outlying areas.

Another index of the economic vitality of this fast-growing 4-state area is the increasing demand for electric power. During the period 1952-62, inclusive, the affiliated companies of The Southern Company system—Alabama, Georgia, Gulf and Mississippi Power Companies and Southern Electric Generating Company—have spent $1,336,000,000 for generating plants and transmission and distribution facilities. Another *$570 million* expansion program is planned for the period 1963-65.

The vigorous growth of residential construction emphasizes the opportunity that abounds in this region—*opportunity* for your company to grow!

Significant and continuing growth in this four-state area is shown by these pertinent comparisons.

Rate of Gain 1952-1962	4-State Area	United States
Total Bank Deposits	84.9%	55.3%
Construction Employment ...	30.1%	2.2%
Retail Sales	76.7%	43.8%

Sources: Federal Deposit Insurance Corporation, U. S. Dept. of Labor, Sales Management "Survey of Buying Power"

The last half of the twentieth century belongs to the South!

*Source: F. W. Dodge Corporation, A McGraw-Hill Company

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Gulf Power Company..... Pensacola, Florida
Mississippi Power Company..... Gulfport, Mississippi
Southern Electric Generating Co... Birmingham, Alabama

COLD WAR OUTLOOK

Where defense spending

Continuing pressures will force costs higher unless sentiment grows for greater economy

A MILITARY ERA is ending and a new one is beginning.

Before this year is over many far-reaching decisions will be made. Hanging in the balance is the fate of such weapons as huge, missile-carrying planes, missiles to destroy attacking missiles, and, possibly, even bomb-bearing space satellites.

These decisions will be important to every businessman. The right choices obviously would increase our security from attack. Some choices would give some companies important contracts. Some would result in cancellations. All would have an effect—large or small—on defense spending, which now makes up about half of the federal budget. Thus, each taxpayer would be affected. From fiscal 1961 to 1964, defense spending has increased by about $8 billion.

There has been talk that, apart from unforeseen developments, a plateau may have been reached. Henry H. Fowler, Under Secretary of the Treasury, says: "The future maintenance of this [defense] level should not require the same sort of annual increases that have marked recent budgets." Budget Director Kermit Gordon says, "We may look forward to lesser annual increases."

The signing of a test ban treaty has spurred hopes that the upward trend of military spending can be reversed. In Congress and at the Pentagon, however, the idea of a reduction is discounted—barring some further arrangement with Russia, or stronger public pressure on Congress for more economy.

Defense Secretary Robert S. McNamara says no precise conclusions can be drawn about the future budget course. But an upward drift in defense spending over the next five years or so is expected by congressional, military and industry analysts interviewed by NATION'S BUSINESS, despite the present inclination of Congress to cut the defense budget.

"I believe the treaty per se should not lead to a reduction in the budget," Secretary McNamara says. "I think we should all be concerned lest we be lulled into a false sense of security and act to reduce the budget and the military forces.

"It is much too early . . . to think of reducing the level of military appropriations. . . . I don't at the moment see the need for the rate of increase of the past continuing into the future. But I strongly urge that not just the United States, but the nations of the West, continue to maintain their military strength."

Pentagon planners point out that, to avoid jeopardizing our security, we must keep our total military force at its present level and continue to improve it, maintain an adequate detection system to identify any clandestine tests by Russia, pursue our program of underground testing, and keep our laboratories active and testing sites in readiness in case of a treaty violation.

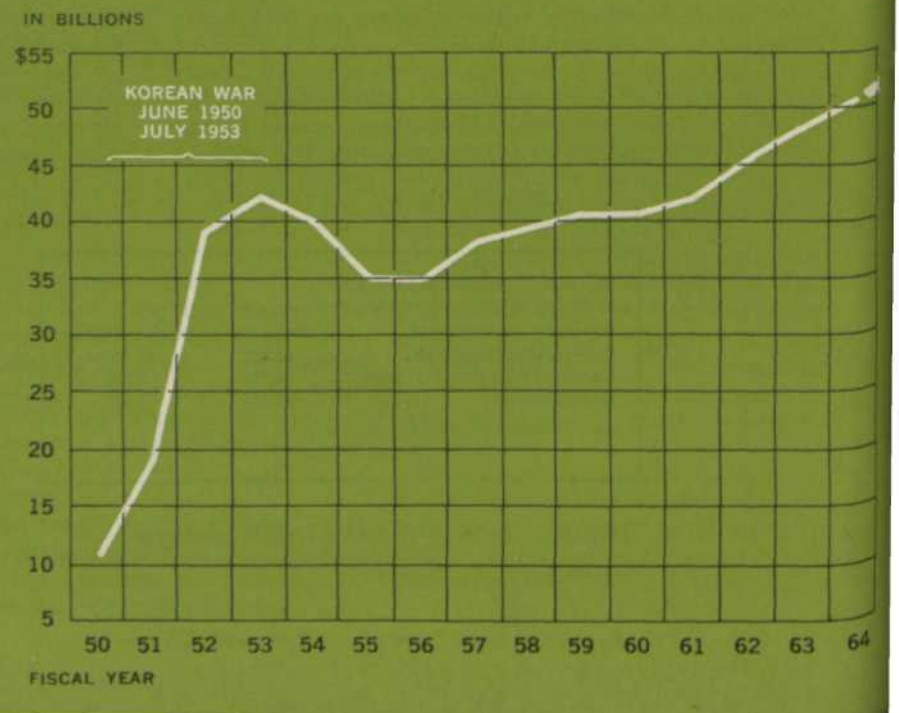
Rep. Carl Vinson of Georgia, chairman of the House Armed Services Committee, says:

"The test ban treaty will have no effect whatsoever on the amount we spend each year for defense. We have to continue to keep our forces up just as vigorously as if the treaty had not been signed."

Rep. George H. Mahon of Texas, chairman of the House Appropriations Subcommittee on Defense, agrees:

"We must continue a policy of military strength similar to our

MILITARY EXPENDITURES HAVE BEEN MOVING UPWARD MORE SHARPLY IN PAST FEW YEARS



goes from here

present program. We can't have any lessening of defense effort that would deceive the Soviet Union into thinking we have let down our guard."

"Inflation and the increased complexity of weapons systems, as well as the built-in increases in military pay and retirement benefits, work against the possibility of a plateau or a decrease in national defense costs," points out Rep. Gerald R. Ford, Jr., of Michigan, ranking Republican member of the Defense Appropriations Subcommittee.

"The sophisticated nuclear research needed to implement the test ban military safeguards will be extremely expensive."

A large corporation that does both government and nongovernment business recently completed its own five-year plan. A spokesman says it expects the treaty to have little or no effect on defense spending.

One of the best informed men in the Pentagon makes this appraisal:

The budget is not expected to decline in the next two or three years. It's not possible at this time to predict when it will.

At least four pressures may force the defense budget higher:

- The continuing communist military threat.
- The constant demand of the military services for more of everything.
- The scheduled rise in military pay and pensions.
- The results of research and development, and increasing sophistication of weapons systems.

What the Reds do

The size of defense budgets depends a lot on what the Russians do. We're competitors. If they decide to step up the pace, we must.

"Mr. Khrushchev is a calculating, audacious man," says Representative Mahon. "We must be prepared to respond to his moves."

Secretary McNamara comments:

"Obviously, the value of another billion dollars spent for defense also depends on changes in the world situation and the military effort undertaken by our antagonists.

"A large increase in the Soviet defense budget, for example, could substantially increase the value of an additional increment to our own defense budget. A further tightening of tensions or belligerent actions against the United States or its allies might well increase the value of additional military effort.

"An assessment of the present and prospective international situation and the military programs of



EXPERTS DISAGREE ON FUTURE TREND



"We must be prepared to respond to Khrushchev's moves"
Rep. George H. Mahon, Chairman Defense Appropriations Subcommittee



"Inflation, built-in raises in military pay and retirement work against a plateau"
Rep. Gerald R. Ford, Jr., Defense Appropriations Subcommittee



"I believe we may look forward to lesser annual increases"
Kermit Gordon, Director of the Budget Bureau



"We should not require the same sort of increases that have marked recent budgets"
Henry H. Fowler, Under Secretary of the Treasury



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DEFENSE SPENDING

continued

our principal opponents is therefore highly pertinent to any discussion of the defense program and budget."

"I think the top depends on our requirements which, in turn, are a reflection of the communist-bloc actions," a Defense Department spokesman says.

"We propose to reexamine those continuously, certainly every year. We make very detailed analyses of their targets and inclusive of their own offensive weapons systems, and based on that, calculate our own requirements. . . . We don't have any arbitrary top, either in terms of dollars or numbers of weapons."

The Army seeks to reorganize on a far more maneuverable basis and yearns for many more low-slow aircraft. If full-scale air mobility is approved, it could cost at least $15 billion over the next few years.

The Army is also pushing for production and deployment of Nike X—now in the research and development stage—as an antiballistic missile system. If approved, it could be at least a $10 billion program over a period of years. A breakthrough in antimissile defense, by either the U. S. or Russia, would cause a complete reappraisal of the defense budget.

Already proposed Army expenditures for 1964 are $12.2 billion—largest since 1953. Expectation is that its fiscal year 1965 budget will be moderately larger.

After 1965 when its modernization program is well along, Capitol Hill experts on Army legislative tactics anticipate there will be a push for two additional divisions.

Two major factors will affect Navy budgets in the foreseeable future: Polaris, and ship obsolescence.

Funds for the last Polaris submarine construction program now planned are included in the current budget. Even if the program is not extended, there will be significant research and development, and additional missile procurement.

On the other hand, almost two thirds of the Navy's active ships were built during World War II programs and are becoming obsolescent.

"The size of the replacement program is somewhat greater than the size of the submarine construction decline," according to a Navy spokesman. "There are some indications our budget future may be on the side of growth, but the crystal ball is rather cloudy."

Navy officials agree with Secretary McNamara that it "faces a difficult problem of block obsolescence," but they disagree with him about the rate of replacement.

"The right solution to the block obsolescence problem," the secretary says, "is not to rush into a crash program of ship construction now and thereby create another equally serious dilemma for the future. Rather, we should overcome the problem gradually over a number of years—all the time, of course, insuring that adequate naval power is always available to meet the essential tasks of national security."

The Air Force's future role is the big military "if."

Its budget is about $20 billion and is unlikely to go much below this figure in the next several years.

However, as one Air Force planner stresses, "If things not now on our front burner should go into production, it could change the whole program."

The Air Force is engaged in an all-out effort to boost the military space program.

Its hard pitch for an energetic military space program gets a friendly reception in many sectors on Capitol Hill.

Lieutenant General James Ferguson, Deputy Chief of Staff, Research and Development, told the House Science and Astronautics Committee:

"The military space program we have proposed would be expensive, and it involves expenditures substantially beyond the current level of military space effort . . .

"I consider the program a prudent one in a dangerous world. If we are to insure peace is maintained in the space region, the United States must acquire a range of military capabilities in that region. We should do this with deliberate speed, since we do not know and cannot predict the time of need. . . .

"We strongly support, in both thought and action, the necessity and value of the National Aeronautics and Space Administration's scientific explorations. But it is not possible for NASA to develop military capabilities as such.

"This is because a military capability consists of a combination of technical knowledge, military organizations with operational experience, suitable military equipment, tactics and doctrine. Most of these are factors which can be developed only within a military service."

The outcome of the subterranean dispute between the Air Force and

(continued on page 85)



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TOP: Interior of U-Haul repair shop well lighted with translucent panels in the roof and fluorescent fixtures.

BOTTOM: Office of the U-Haul Company in Grand Prairie, Texas.

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BIG NEWS!
'64 FORDS-BIG NEW BENEFITS FOR YOU



NEW '64 FORD PICKUP

New durability in the toughest Ford pickup ever built... plus new comfort and economy!

You can put 1964 Ford pickups on your roughest job with confidence. They're built with rugged big-truck design in axles, springs, frame and engine to give you big-truck durability. And you can be just as confident your drivers will be happy with Ford's new comfort. New longer wheelbase and two-stage rear springs combine to give an excellent ride, light or loaded!

NEW ECONOMY demonstrated in 100,000-mile run. In a five-month test by an independent research institute, five Ford pickups ran night and day, over gravel roads, highways and city streets for 100,000 miles per truck. Total costs for gas, oil, tires, preventive maintenance and repairs for the five trucks averaged only 3.2 cents per mile!



Easier ride with a new longer wheelbase. New 128-inch wheelbase is longer than that of many luxury cars... gives a smoother, more relaxing ride.



Easier loading with a new one-hand tailgate. Single handle opens husky latches at both ends of tailgate on new bodies... saves driver time.



Greater durability with a double-wall box. Double steel walls in side panels of new boxes—sleeker on the outside, stronger on the inside.



More comfort with a new Driverized Cab. Roomier new Custom Cab keeps drivers comfortable on five full inches of foam!

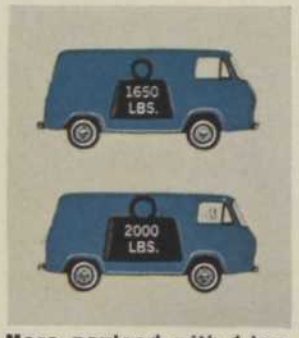
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Surer stopping with new self-adjusting brakes. Brakes automatically adjust themselves, increase safety. New thicker linings last up to 37% longer!



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DEFENSE SPENDING

continued

NASA will have a bearing on the mix of the over-all federal budget. Air Force generals envy NASA's skill in obtaining multimillions for space exploration. They feel Secretary McNamara and some presidential advisers are emasculating the Air Force's role.

Pay, retirement costs soar

The total defense payroll—now in the vicinity of $20 billion a year—is expected to rise by two to three per cent annually on the average above the present budget.

Representative Ford points out that in 1953 military retirement expenditures were $331 million. By 1963 this yearly cost increased to slightly more than $1 billion and by 1970 is expected to exceed $2 billion.

Research and development

"If space ever breaks loose," a top Defense planner says, "there'll be an entirely new picture. It's going to be the biggest one. It's an absolutely new frontier.

"Defense is now spending about $1.6 billion a year to be in on the ground floor. We make maximum use of what NASA is doing." (The proposed NASA budget is about $5.7 billion.)

"There are many other possibilities in the research and development wings that could be production items but are not yet reflected in our prognostications. There are bound to be projects come up that nobody can anticipate.

"What we may do about an antiballistic missile system is not reflected in the fiscal 1964 figures. It's one of the big decision areas.

"There's also the possibility of another manned strategic aircraft. I'm not saying it will be done, but it's being studied."

Another Pentagon planner says:

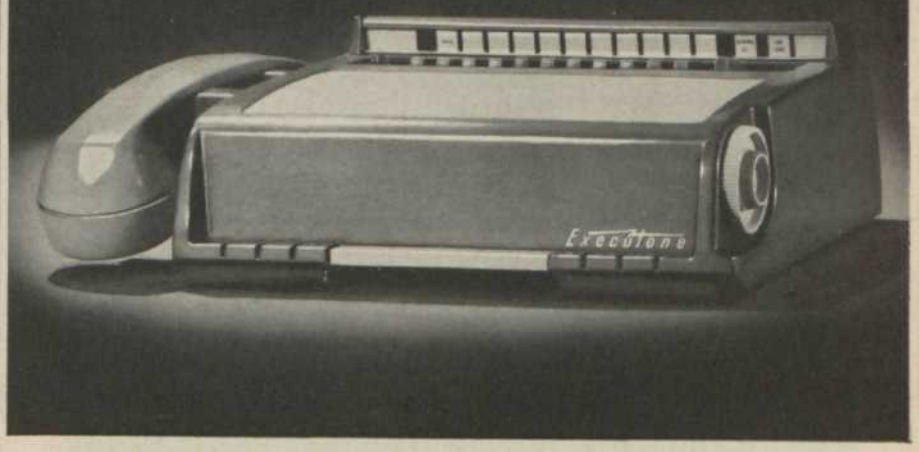
"Those who predict a plateau simply aren't taking into consideration the possibilities of research and development. If we catch a real good breakthrough, we could have a $2 billion to $5 billion production program.

"We're not going to stand pat with our major weapons systems. There are going to be follow-ons. There is no ultimate weapon.

"You can't say the budget will level off when there are so many unknowns."

The services are especially anxious for breakthroughs in communi-

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Pete Progress

Speaking for your local Chamber of Commerce

DEFENSE SPENDING

continued

cations equipment and systems. Expenditures here may well see a substantial growth over the next half-decade.

Congress is not giving the green light to all these requests, but the military probably will find a cordial reception to many of its requests for command-and-control applications.

An example of the growth of electronics and communications expenditures is the Army's recent spending: $299.3 million in fiscal 1962; $315.6 million in fiscal 1963; estimated $405.9 million in fiscal 1964.

How cuts could come

What are the counterforces that may hold the defense budget in line or even reduce it?

These are three key factors:

1. Congressional action—this can be expected to reflect public opinion.

At present, the attitude expressed by Representative Vinson is widespread.

"The defense budget is admittedly large," he says, "but I feel that the size of the budget simply reflects the price of freedom in this dangerous world in which we live.

"Certainly, every effort should be made to reduce expenditures whenever it can be done without impairing our defense. But the action taken this year will determine the military action which we are able to take from three to five years in the future.

"So, it is obvious that defense policy and strategy are heavily involved in this authorization, and underscore the importance of the action taken by Congress."

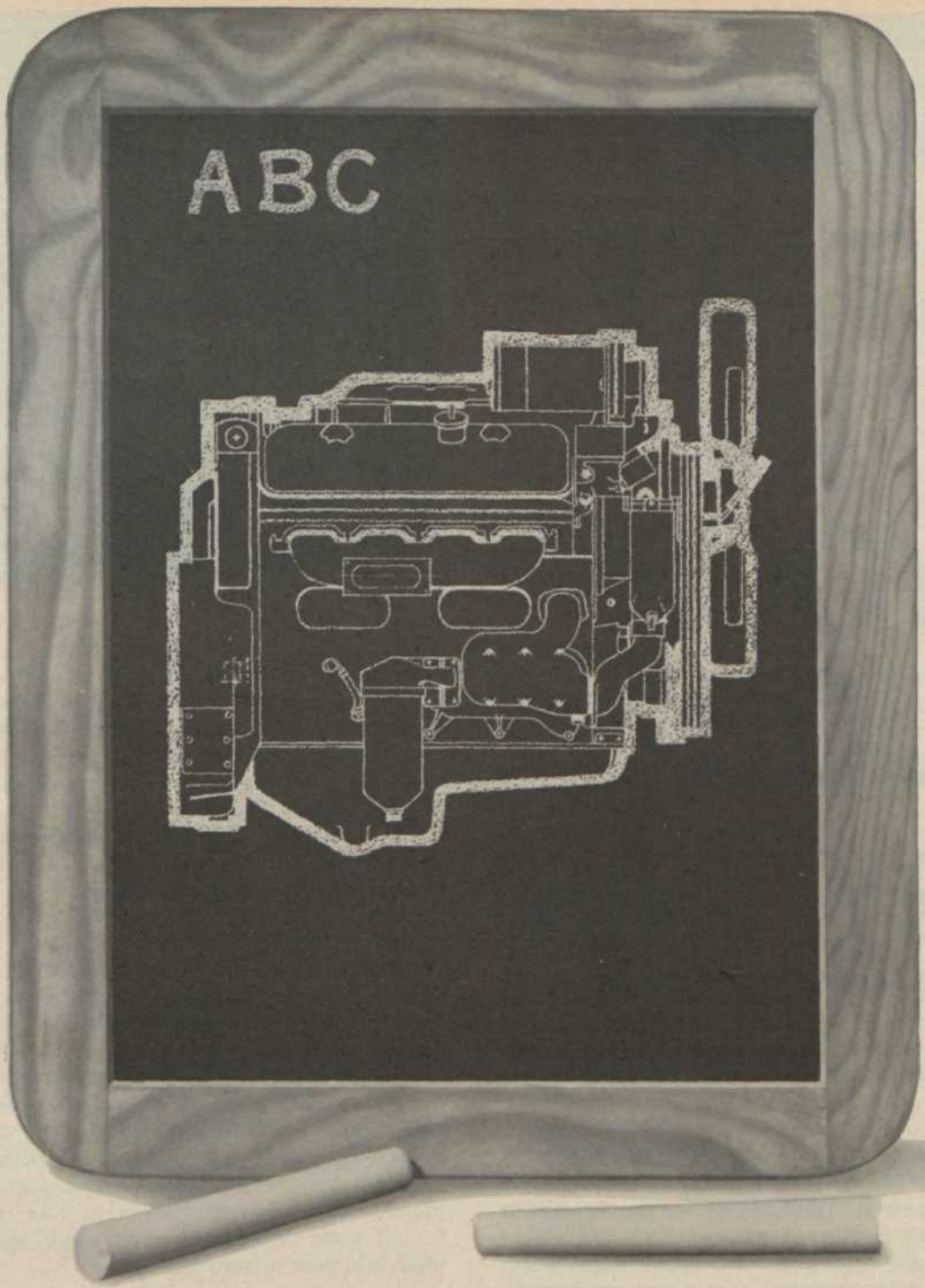
A veteran congressional source warns:

You're not going to get any significant action for a downward trend unless the "Old Heads" on the Hill get together in a quiet room and sharpen their pencils. It's going to have to be done quietly, without any competition for headlines.

It's too soon to tell who might lead a bipartisan effort. And it's generally agreed that this is the only way a downturn will materialize.

Sen. George McGovern of South Dakota called recently for a basic reassessment of our defense strategy, questioning whether we have not created a higher pile of nuclear bombs than we need. Secretary

(continued on page 92)



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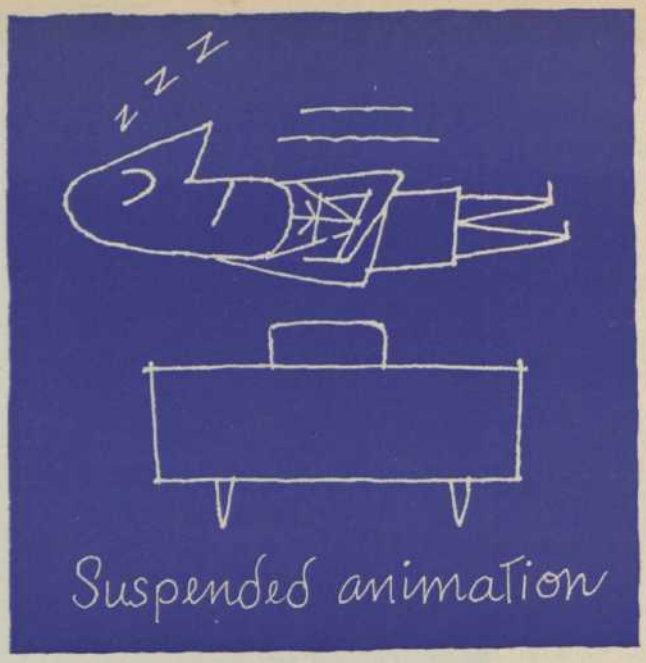
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MANAGING YOURSELF

STALE IN YOUR JOB? TRY THIS



REAWAKENING YOUR ENTHUSIASM for a job after the newness has worn off is one of the hardest—but most useful—goals you can set for yourself in business.

With alert interest, you can probe and plan and execute in a way that brings not only success but satisfaction as well. Without it, workdays become leaden and peak results are rare.

How often we see a great difference between the man who has recently taken over a new assignment and that same man a year or two later. He may be a more confident and able performer, but what has happened to the eager curiosity, the plans for change and improvement that filled his thoughts in those early weeks?

He has learned all the things that can't be done, it might be said. He has become more practical in his approach to the job. But is that the whole answer? Neither the company nor the man can honestly claim to be satisfied with a few months of life followed by years of suspended animation. That description applies only to the extreme cases, of course. Not many executives have the problem so acutely; but on the other hand, almost none is entirely free of it.

It is not easy, but it is possible, to change this pattern. There are men—though they are in the small minority—who have the "new man" attitude most of the time. Not all of the time, of course. The human tendency is for interest in a job to sag progressively. It is more realistic to hope for repeated boosts of alertness periodically, rather than for a way of holding interest steady at a given level.

A specialist in executive placement, Robert Odenheimer, sums it up this way:

"It is human nature to grow jaded with sameness, and there's no getting away from that. But it is utterly impractical to keep changing jobs. So the solution is to keep changing the same job, uncovering new facets and new approaches."

From men whose work has forced them to probe for ways of spurring new interest in a job, come these specific and practical suggestions:

► Mentally link up your own job with all the outside areas that affect it or are affected by it. Men who see the job in its context as part of a larger scheme of things find it hard to become bored.

► Turn your attention to the work attitudes of your subordinates. Trying to find ways of giving them a lift will have a powerful effect on your own interest.

► Find some of your forgotten skills and try to fit them into your present job.

Relate your job to others

The most important technique for seeing your job in an ever changing light is to see how it affects the lives of other people.

We all have a tendency to overlook this because it is natural to think that only the things we can see or touch are really affected by what we do.

Most people feel that it is a platitude to say their work affects a great many other people—like telling them that their vote may decide a national election. "Yes, it may, but it almost surely won't," is their unspoken response. But a job is not a numerical statistic. It exists for the very reason that it does affect a lot of people, inside and outside the company.

Samuel C. Redman, Jr., a vice president of Washington's Riggs National Bank, points out that young employes who have gained experience in various de-

partments of the banking operation are least prone to boredom. "Not only do they realize how much their work may mean to the customer," he says, "but it's easier to convince them that in some other part of this same bank, partway across the city, another department is relying on their tallies to finish up and go home."

That's why Riggs and many other banks prefer to put new employes through as many departments as possible during their training period. "For example, people who have worked in what we call the Proof Department," Mr. Redman explains, "never have any further doubts about how important each man is to others. They have known what it's like to be tied up until 8 or 9 o'clock at night because a teller made a mistake."

John D. Harper, president of Aluminum Company of America, feels that the great need for each manager is to see more clearly the whole chain of events that links the job, the profit-making aspects of the company, and the use of those profits as a way of making a better life for more people. "Most men today are farther away from the risk-taking aspect of their enterprise," he explains. "In an older and simpler day it was easier to see what it took to earn profits and how they were then used to buy additional tools, hire more help, and perhaps invest in new or growing ventures, thereby helping to create a higher standard of living.

"It is far more difficult for today's businessman to see this chain of events as a whole. But that makes it all the more important for the man who wants to have a real part in his times to remind himself that the identical process still is required to create a more abundant life for more and more people."

Beyond the internal importance of a job, there is the sweeping effect on people outside the organization. In some lines of business this is easier to visualize than in others. Bankers and many others in service organizations—as well as all in the retail trades—have the advantage of direct contact with customers and end users to remind them of this impact. But





even without having such a reminder, a little effort of imagination will show how deep and wide is the effect created by an executive in a manufacturing business, a public utility, a wholesale distributor.

Just a few simple questions will uncover quickly all the different kinds of interrelationships that you are involved in:

My subordinates—What impact do I have on their lives? Not just in determining their income, but in encouraging them to improve themselves, in setting them straight when they are going wrong, in things I say about them to higher management? And multiply this by the number of their dependents; to that many people, what I say and do is vital.

My colleagues and superiors—How many of them rely on my judgment for decisions that are crucial to them? How many other people and operations that they control are echoing my opinions in this way?

Our customers—Are the products or services they get from us any better, any cheaper, or delivered any faster because of what I do in this company? If not there's something wrong. But the answer is almost surely yes. And each customer has a better chance to be important to other people because of my service to him.

The city I work in—Is it a better place because my company is here? Does it suffer when we slump and have to lay off people? Anyone who saw South Bend, Ind., when the Studebaker Corporation was in trouble and who then saw its shop windows begin to sparkle when the company's products made a comeback knows how dramatic the answer to this can be.

In many of these cases, your own answers may seem limp and unsatisfactory to you. Maybe you are modestly underrating your impact. But if you assume that your rating is correct, look at the questions again, this time asking yourself: What effect could I have in these cases? Are other men in a job like mine making themselves felt more than I am? The answer is probably yes; and the obvious point is that you can find ways to make yourself felt more.

One of the recommended techniques for helping

STALE IN YOUR JOB? TRY THIS

continued

yourself with the problem of staleness is to divert your thoughts to a subordinate who has the same problem. This is not just an exercise in friendliness. It happens to be a proven way of helping yourself.

An experienced management consultant says: "I have often found that staleness runs in epidemics. If one man in a group suffers from it, the chances are most of the others do too. In such cases, I have sometimes suggested to the boss that he turn his attention to reviving the others.

" 'How do I go about that?' he'll ask. Well, it depends on what is causing their jaded spirits. Maybe it's the surroundings—in which case they should be improved. Maybe it's the repetitive nature of the operation—which may or may not be fixable. But most often, it is that old desire to hear the boss say, 'You're doing a good job.'

"Many people with routine jobs are dejected not because of the sameness, but because they feel that their work is insignificant. Yet many of them are very important parts in the machine. In some jobs—handling valuable assets, for example—it can be vital to have an experienced and trusted man, even though the procedures become tiresome to him. But a few words now and then to recognize his importance, and he's a new man."

The chief point of this is that the boss who sets about revitalizing his people actually gives himself the biggest lift of all. The chance to see others improve their outlook in response to his words is a satisfying experience for any man. And in seeing these other jobs more clearly, he gets a new view of how much more interesting his own work is.

Inside yourself

Mr. Odenheimer, of Snelling & Snelling, which conducts an executive search service on a nationwide basis, says: "By no means do I think a man should jump jobs every time he's bored. We often tell him to stay right where he is. And in that case, one good prescription for getting a new grip on the job is to look into his own past and see what abilities he has been neglecting.

"Sometimes a skill learned during military service has been abandoned. It may provide a new way of attacking some set of current job problems."

As an example of this, an export executive who had World War II training in evaluating intelligence reports put the technique to work in his study of foreign trade information. He has since come up with exceptionally accurate forecasts of changes in trade patterns.

Another man, a sales manager of a drug wholesale business, recalled his wartime training as a medical administrative officer and applied it to problems the firm was having in storing and distribution.

Mr. Odenheimer also suggests that you think back to subjects you studied as minors in college. "It is valuable to take a new look at what are called your 'recessant traits,' " he advises. "Your dominant traits —usually connected with your major subject—presumably are already at work in earning a living for you. But the minors often are forgotten, even though they generally tie in with the major." Looking at these subjects again is like unlocking the door to a friendly room that's been closed for years.

A personnel executive who had majored in psychology did some refresher studies in statistics, which had been his minor. Applying some of the procedures he recalled as a result of this, he developed a new set of conclusions about what types of employes fitted best into certain jobs the company had to fill periodically. His minor subject has improved his performance.

But more important, perhaps, it has spurred him to take a fresh look at many other questions he had been taking for granted.

Well worth the effort

It is exciting and exhilarating to take on the challenge of a new job. If you are a man of ambition and confidence about facing that kind of adventure, you look forward to the next time when you are appointed to an even higher responsibility than the one you hold now. But most responsibility is the result of neither appointment nor delegation. It falls willingly into the hands of the man who is willing to bear it. And there is no need to wait for an official pronouncement before feeling the thrill of a new job.

One of the approaches suggested above may be what is needed to shine a new light onto the job you hold now. Or it may merely start you thinking afresh, looking for your own answer. Once you become conscious of the difference between just tolerating a job and attacking it with enthusiasm, the road is open to the kind of continuing satisfaction that can't be found in any other way.—CHARLES A. CERAMI



REPRINTS *of "Stale in Your Job? Try This" may be obtained for 25 cents a copy, $12 per 100 or $90 per 1,000 postpaid from Nation's Business, 1615 H St., N. W., Washington, D. C., 20006. Please enclose remittance with order.*



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SAFEGUARDS

continued from page 70

under law—capitalist imperialism, as Khrushchev calls it—and his system of communist dictatorship. Communism, he predicts, will eventually "peacefully" triumph on the world scene.

I do not believe for a moment that Khrushchev really means what he says when he appears to welcome this peaceful competition. His acts, of which the Berlin wall and missiles in Cuba are the latest examples, give the lie to all this.

Nevertheless, we are entitled to assume he means what he says and challenge him to accept competition in every field of human endeavor. We can, as it were, try the case of freedom under law in the court of world opinion, including that of the peoples now living under communism, and then help to break down the barriers which the communists have set up.

The Soviets will undoubtedly try to use agreements with us as a means of advancing their cause. Let us show our ability to use them to advance the frontiers of freedom. **END**

DEFENSE SPENDING

continued from page 86

McNamara has denied, however, that we have excessive armaments.

2. Although there's widespread respect for Secretary McNamara's efforts to reduce waste and costs, few observers of the Pentagon are hopeful that his stringent measures can offset growth forces.

The secretary questions in extraordinary detail requests from the services. He makes about 1,000 major decisions a year involving the management of the military establishment. He repeatedly asks: Is the extra gain worth the extra cost?

Mr. McNamara figures that management improvement actions instituted in the past fiscal year saved more than $1 billion. His goal for the end of fiscal year 1965 is to initiate actions which will increase the rate of savings to nearly $4 billion per year.

The secretary acknowledges these are ambitious goals, but asserts they can be achieved with "a real effort on the part of all concerned."

Pressure to put a lid on the defense budget has come from other segments of the Administration, too, because of President Kennedy's promise to hold spending down in order to get approval of his tax bill.

However, veteran congressmen who've seen defense budgets come and go remain skeptical about the net impact of cost reduction programs. Their attitude: We've heard this before; the main effect of the McNamara program will be only to maintain a budget floor.

3. The possibility of additional arms control or disarmament.

A specialist in Soviet foreign policy points out that there is nothing for us to be optimistic about.

He finds that the communists harden every time we show weakness.

There is every reason to believe, he says, that if we should take steps to reduce our military budget we'd find the Russians taking a hard line. **END**

RED SHORTAGES

continued from page 76

economies must expect to face increasing competition for the use of a declining over-all supply of raw materials."

Yet the myth persists in the underdeveloped world that Russia has no need to compete for outside sources of raw materials.

Thus an African newspaper was only half right when it commented on an agreement signed by the Soviets to extend technical assistance to Sierra Leone, which has bauxite and diamond deposits coveted by the Russians:

"These minerals are of no direct value to the Soviet Union, which produces enough of its own. . . . The management of mines in Sierra Leone would enable Russia to play a part on the international scene and cause confusion in Western markets by juggling with supplies."

The Soviet bloc, with ample stockpiles of raw materials from the developing countries, could damage their economies at will by selective dumping.

And Russia's treatment of China, cutting off technical aid in one of the most blatant examples of economic warfare, raises the question of the future position of any developing nation that becomes economically dependent on the Soviet Union. **END**

How Marine Midland banks serve business best in New York State



The printer felt squeezed

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HOW WASHINGTON WOULD CONTROL YOUR CITY

This example shows how power grows

FREEDOM OF YOUR CITY government will be at issue again next year.

Scheduling of a White House Conference on Community Development in December is a tipoff that President Kennedy will renew his request for Congress to approve a new federal Department of Urban Affairs.

Opponents, who have succeeded in killing the proposal twice, warn that the department would be another giant step toward centralized government. Backers argue that the department would concentrate on research and coordination of existing programs, and would cost little to operate.

How much are such promises worth once an executive department is born?

The big, 101-year-old Agriculture Department provides an answer. Its role seemed fairly well restricted when it was founded by Congress on May 15, 1862. Then, as now, some legislators feared creeping federal domination.

"There is hereby established," says the law which remains the agency's basic authority, ". . . a Department of Agriculture, the general designs and duties of which shall be to acquire and diffuse among the people of the United States useful information on subjects connected with agriculture in the most general and comprehensive sense of that word, and to procure, propagate, and distribute among the people new and valuable seeds and plants."

Abraham Lincoln, who signed the bill into law, would be surprised at what this diffusion of useful information on subjects connected with agriculture now means.

Today the Department is doing such things as lending money for snow-making machines; trying to find out if newcomers to Wilmington, Del., vote; teaching intermediate Swahili and creative painting, and many more things that have only peripheral relationship at best to its task.

So far flung is its empire that department leaders now give their greatest public attention to nonfarm doings, perhaps in hopes of diverting attention from the worsening farm surplus mess.

Measuring its activities in dollars alone, the Agriculture Department expects to spend nearly $7 billion this fiscal year. It employs about 96,000 persons.

That's what happened to the promise that the Department would merely "acquire and diffuse information" and promote "valuable seeds and plants."

Supporters of a Department of Urban Affairs may argue that it couldn't stray so far afield because its charter would be more specific: The Administration blueprint calls only for the department to take over federal housing programs.

But even these advocates concede that they would surely expect the new department to run any programs for federal aid to urban transit that Congress might approve.

And the same backers have for years been the chief proponents of federal involvement in such other local affairs as education, urban renewal, water and air pollution, juvenile delinquency and public works planning.

Would the new department get into these fields? Take another look at the Agriculture pattern:

Purchase of a snow-making machine in Illinois, for instance, was financed largely by the U. S. Treasury via the Rural Electrification Administration, an offshoot of the Agriculture Department. REA loaned $22,068 at two per cent annual interest to the Jo-Carroll Electric Cooperative, Inc., of Elizabeth, Ill. The cooperative reloaned the cash at four per cent for 10 years to Chestnut Hills Resort, Inc. of Hanover, Ill. The resort bought the snow machine, outdoor lights and ski lift equipment.

Congressmen of both parties warned that REA was overstepping its bounds. Rep. Walt Horan, Washington Republican, for example, worried that such loans would lead to widespread federal financing at easy terms to other businesses:

"Once you open the gate all the horses will get out and they will trample on us congressmen too if we make too many of these loans."

Despite such warnings, REA made a similar loan for $110,000 to Blue Knob Development Corp. of Altoona, Pa. in August for another snow machine and ski lifts.

Results: an investigation this month by irate members of the House Agriculture Committee; a demand that REA clear such loans with Congress.

The transactions were made under the basic law which enables REA to provide money for cooperatives' customers who want to buy electrical equipment. This was originally designed to help farmers wire their houses, buy electric milking machines, and the like—not snow machines.

The Department is also getting

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Farmers' experience shows federal handouts mean federal interference

far afield from agriculture by promoting and financing other enterprises that are supposed to provide jobs for persons leaving agriculture or unable to make a living at it. The Farmers Home Administration is being asked to finance such projects as a golf course in North Carolina and a seven-acre lake for boating and fishing in Warren County, New Jersey. It also lends money for new homes in many a small town which no longer relies on farming for its livelihood. Farmers Home Administration was originally organized to finance real estate and operating loans for farmers.

The proliferating farm program provides plenty of opportunities for pork-barreling. A project which attracted attention recently was a peanut research laboratory pushed by Democratic Sen. Richard Russell for Dawson, Ga. Opponents contend the work can be done more economically at an existing government laboratory in New Orleans.

Start now—expand later

Salesmen for today's Urban Affairs Department proposal recognize, as Franklin D. Roosevelt did 30 years ago, that people don't want a top-heavy and costly bureaucracy in Washington. If you're going to push an expensive new scheme for federal intervention, you must emphasize economy and noninterference—and expand later.

"The plan must finance itself," FDR promised in presenting his depression farm plan in Topeka during the 1932 election campaign. "Agriculture has at no time sought and does not now seek any such access to the public treasury [as in Hoover Administration attempts to stabilize prices through commodity market operations]. . . . It must make use of existing agencies and so far as possible be decentralized in its administration so that the chief responsibility for its operation will rest with the locality rather than the newly created bureaucratic machinery in Washington."

Agriculture Department spending has risen ever since.

Price support operations alone are expected to cost the government $1.8 billion this fiscal year. The cost of giveaway and foreign aid programs seeking to dispose of the surpluses cost additional millions. So entwined has the Agriculture Department become in commodity markets that department economists contend that a federal exodus from price-support operations would bring an immediate 30 per cent drop in prices.

This is a clear illustration of one of the most important points made by opponents of an Urban Affairs Department: Federal involvement results in federal controls.

Government money must have government strings attached. This is necessary to protect the taxpayers' investment. But the power in federal programs reaches far beyond responsible handling of funds.

Agriculture controls, for example, have done real damage in important areas. Cotton acreage controls are set to protect small, relatively inefficient farmers, mostly in the Southeast. Big, highly mechanized, low-cost producers—mostly in the Southwest—are restricted in the amount of fiber they can produce. The result is that nearly every step-down in U. S. cotton output is met by a stepup in cotton production in Mexico and other foreign countries. The world supply of cotton remains high and world prices low. This means the U. S. continues to lose its once dominant position as chief world cotton supplier. Cotton experts say European textile mills are rapidly changing over their equipment to handle the different qualities of foreign cotton. If and when U. S. cotton does return to export sales in a large way, it will find its market restricted.

Actually, federal planting controls have clearly failed to do their job of boosting prices by holding down output. Farmers have simply taken advantage of new seeds, machinery and techniques—many of them originating in federally financed laboratories—to boost output on reduced acreage. From the last year of World War II—1945—through 1962, total farm output rose one third on one sixth fewer acres.

Local groups work best

Urban Affairs opponents contend that federal schemes to solve community problems also would fail, because Washington simply cannot work out solutions as well as local citizens.

They argue that the motive for urging creation of the new department may be largely political. Three out of five Americans now live in big cities and their suburbs.

Ironically, the Agriculture Department is well aware of this trend, and could well wind up as a strong competitor of the proposed Urban Affairs Department.

Part of the reason is the expertise of many Agriculture employes. One extension service demonstration agent, for instance, has been teaching better homemaking techniques to wives in a South Boston public housing project. Agriculture Department pamphlets on a wide range of homemaking and home maintenance subjects are considered basic in many city homes.

The Department provides approximately $270 million a year in supplies and funds for school lunch and milk programs in both city and rural areas.

It gives away great amounts of flour, peanut butter and other commodities through local welfare programs. The giveaways undeniably help the genuinely needy but they're often so lavish that they upset local markets rather than simply supplementing consumption. Peanut butter manufacturers nationwide complain that handouts have been so generous many recipients swap peanut butter with friends for other commodities.

Farmers leaving the land for the cities are the target of new spending projects. On the theory that it should find out how ex-farmers adjust to city life, the Department has hired specialists in sociology and other skills to poll the migrants in Des Moines and Wilmington, Del. Questions concern his new job, housing, participation in community activities, voting, income, and education.

Not all the widespread Agriculture Department activities stem from Kennedy Administration policies or even from New Deal days. The Department's Graduate School, established in 1921, provides means for promising young agricultural scientists to further their education. A qualifying student who pays the fees can take courses in biology, electrical engineering, and surveying. He can also bone up on such nonfarm subjects as Swahili, painting, and "discovering modern poetry."

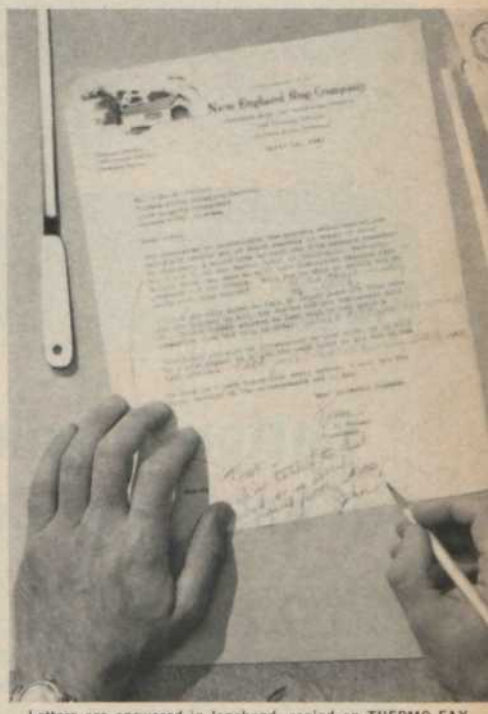
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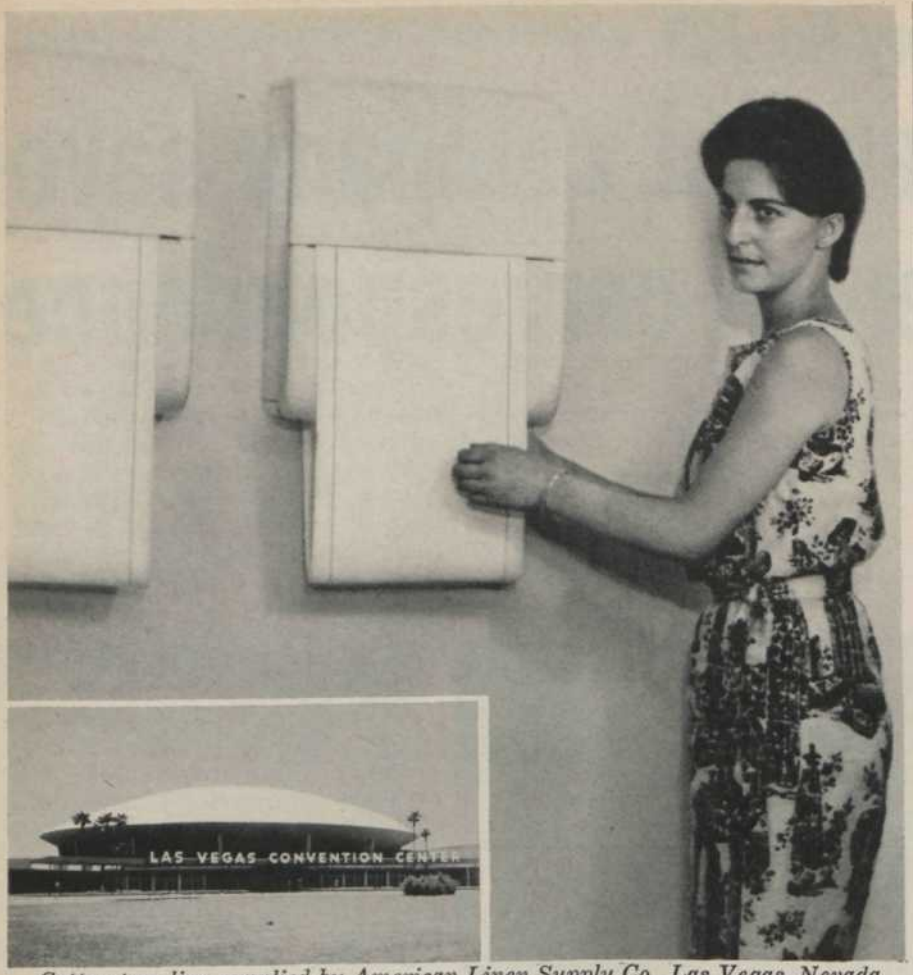
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CAMPAIGN YEAR

continued from page 41

for the sake of bipartisan cooperation in their vital fields—and there is some question as to how long the Attorney General will stay out of the fight.

The rest of the Cabinet is under instructions to be available to the Democratic National Committee for practically full-time speech-making this fall and next year, and to notify party headquarters of any out-of-town speaking engagements they may make on their own. The idea is to permit the National Committee to notify local Democratic officials ahead of time, so that full political use can be made of the visit of the dignitary from Washington.

Vice President Johnson is spending large amounts of his time on the campaign trail already, and his travel will increase as the months go by.

A Johnson aide has reopened a headquarters in Austin, Texas—presumably to get the Kennedy-Johnson organization cranked up early in the vital Lone Star state.

Dinners for candidates

The White House staff is working closely with senators and congressmen who face tough re-election races next fall—giving them advice on campaign organization, promising presidential visits, offering fund-raising help. For example, Peace Corps Director Sargent Shriver, the President's brother-in-law, made his surburban Washington home available for a huge $100-a-plate dinner for Wyoming's Senator Gale McGee, who faces a tough battle next year.

The President himself has been making tape recordings plugging worthy Democratic legislators for use at fund-raising dinners back home. Presidential aides have started what they hope will be a series of special conferences at which top administration officials explain campaign issues and techniques to the press agents for the party's state organizations and governors.

On the high policy-making level the political factor is harder to pinpoint than on the operating level, but it is there.

In the economic field, the President clearly wants passage of his tax bill, youth employment bill, expanded depressed areas program and other similar measures because of the economic stimulant they supposedly would provide. An expand-

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Atlanta—Birmingham	10	3 hrs. 45 min.	1.65	1.90	2.20
Pittsburgh—Cleveland	15	2 hrs. 55 min.	1.60	1.85	2.15
Dallas—San Antonio	10	7 hrs. 15 min.	1.90	2.15	2.45
St. Louis—Kansas City	9	6 hrs. 30 min.	1.90	2.15	2.45
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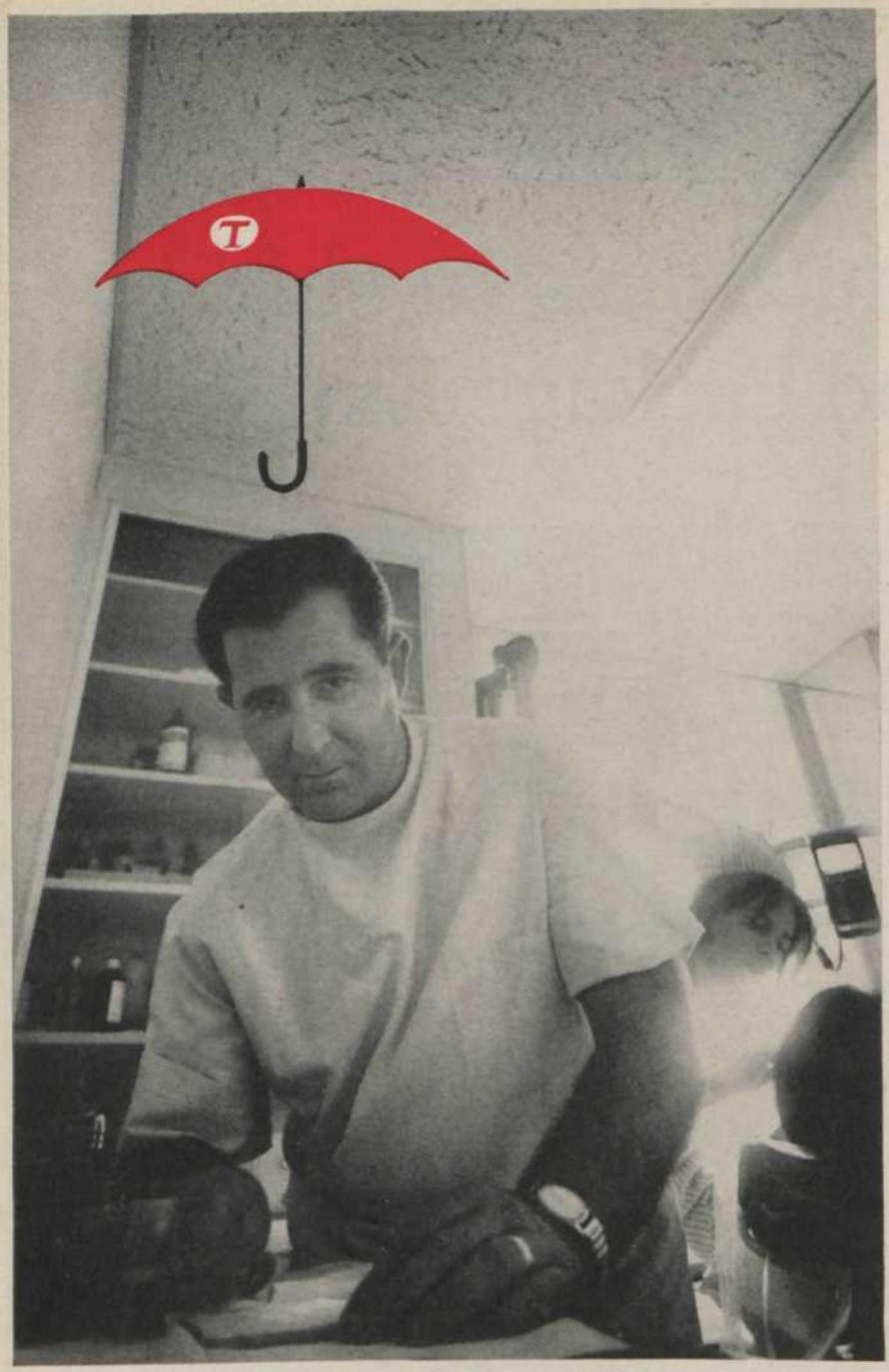
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CAMPAIGN YEAR

continued

ing economy, the White House knows, means employment for more people and fewer unemployed to register their unhappiness at the polls.

When Special Counsel Theodore Sorensen some months ago told a Democratic National Committee meeting that passage of the President's tax bill was a top-priority item for his re-election, it was the job-creating impact of the bill he had in mind, and not, as some newspapers reported at the time, the thought that people would vote Democratic in gratitude for their tax savings.

In a similar vein, the White House has suddenly given top priority to doing something about the economic distress of the "Appalachia region," an area stretching from western Pennsylvania and eastern Ohio all the way south to northern Alabama. A task force has been set up in the Commerce Department with a January 1, 1964, deadline for a report. This would give Congress a chance to put some of the recommended relief into effect before the election.

Machine cranked up

Recent administration actions to freeze Cuban assets in this country and to attempt to get the Organization of American States to tighten up on movements of Cubans around the hemisphere are almost certainly aimed more at American voters than they are at Castro. Most foreign policy experts agree that the recent steps are likely to have little impact on the Cuban regime, but they give a political appearance of "doing something about Castro."

Next year the Administration can be expected to make an all-out effort to get floor votes in both the Senate and House on its proposal for health care financed by social security taxes. The Administration will argue with House Ways and Means Chairman Wilbur Mills of Arkansas and other hostile Democrats that they should let the measure come to a vote—to put Republican lawmakers on the spot.

Indicative of the way the Kennedy men take nothing for granted is the manner in which they're cranking up their national political organization. Presidential brother-in-law Stephen Smith, who almost certainly will be Mr. Kennedy's campaign manager in fact if not in title, is already hard at work. He's

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traveling around the country, visiting potential trouble spots and recruiting a staff of veteran campaign aides for another tour of duty.

Such old hands as former Deputy Postmaster General William Brawley and Chicago attorney Hy Raskin are checking on the battle readiness of local organizations, trying to iron out intraparty feuds, getting things in shape for Kennedy citizens organizations, pushing voter registration drives, encouraging promising local candidates and discouraging weak ones, and so on.

The Smith team has been fighting moves in Florida and Louisiana to have on the 1964 ballot slates of independent Democratic electors, not committed to vote for the Kennedy ticket in the electoral college.

Mr. Smith will be filling in large measure the campaign role that Bobby Kennedy filled in the 1960 battle. Generally speaking, though, most of the other campaign leaders next year will be doing the same jobs they did in 1960.

Thus, Mr. Sorensen will again be the chief campaign speech-writer. But whereas in 1960 he had to assemble a special braintrust to feed him ideas and data, he now can simply draw on governmental agencies for facts, figures and advice.

Special Presidential Assistant Kenneth O'Donnell will be back at his old job of scheduling the candidate's movements, traveling with him, directing a corps of advance men. Special Assistant Lawrence O'Brien, now the chief White House lobbyist on Capitol Hill, will keep up liaison with the House and Senate Campaign Committees and will also go back to tightening up Democratic organization efforts.

One can almost sense a feeling of relief as the White House team begins to prepare for the 1964 campaign. It is, one suspects, a pleasure to turn—even briefly—from the problems of dealing with Premier Khrushchev or the civil rights crisis to such manageable difficulties as the Democratic split in Pennsylvania or the need to register more Mexican-Americans in Los Angeles. The President himself seems to get a happier grin and a springier step when he leaves the White House and greets the airport crowds.

"After all," one of his aides says, "you don't have to scratch this guy very deeply before you find a political being."

—CHARLES B. SEIB



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WHAT IT TAKES TO STAY ON TOP

Executive durability probed in new study

GETTING TO THE TOP in business is one thing. Staying there is another matter.

The qualities and circumstances which help a manager scale the cliff to corporate power don't guarantee he'll remain at the summit once he reaches it.

Much like a child playing "King of the Mountain," the top executive is subjected to continuous pushing and pulling. Unless he is hardy enough to withstand these pressures, he will topple from his perch.

These observations about life on the executive Everest are backed up by new findings of a team of consultants and psychologists who for four years meticulously studied the careers of 110 high-ranking businessmen.

One of the architects of the study, psychologist Zygmunt A. Piotrowski, says, "Top men who fail don't seem to be able to endure the substained tensions of a company presidency, or a job approaching that degree of responsibility."

Dr. Piotrowski, a member of the faculty of Jefferson Medical College of Philadelphia, collaborated with the staff of Edward N. Hay & Associates, a consulting firm, in searching out the roots of success and failure. A technical report on their findings will be published in book form by Grune and Stratton late this year.

In the cases studied, the designation "failure" was not applied by the specialists, but by officers of 50 companies which cooperated in the research project. It was found that a company's conclusion that one of its top executives had failed tended to confirm what the researchers learned about the same individual in tests conducted earlier.

Men whose psychological weaknesses showed up in the tests were later undone by these same deficiencies when they faced the rigors of life at the top.

Nevertheless, at least half of the 42 men considered to have failed could have avoided failure if they had been made aware of their weaknesses and had been helped to overcome them earlier in their careers, in the opinion of Dr. Piotrowski.

Failure is relative

By popular standards, few in the failure classification would be considered such, even though they were so labeled by their firms.

For some, failure meant the relinquishing of a presidency for a five-figure vice presidency. Others were eased into special high-echelon positions where they were able to operate productively with less strain. Some made graceful exits to join other companies in an executive capacity or to lead public service organizations. Still others, holding less than the top job, were simply by-passed at promotion time. A few of the failures became excessive drinkers or had other behavior problems which led to resignations, forced retirements or firing. One man, overwhelmed with his failing performance, killed himself.

All the managers studied were presidents, vice presidents or other principal officers of medium-sized or large companies. All were more than 34 years of age and in salary brackets from $25,000 to $250,000 a year. Each participating company was a client of Edward N. Hay & Associates. One of Hay's managing partners, psychologist Milton L. Rock, was Dr. Piotrowski's chief collaborator in designing and conducting the inquiry.

"We know that occupying a position of great responsibility makes or breaks people, and always changes them in important ways," comments Dr. Rock. He says the study confirms this fact and, more important, points up the crucial importance of factors other than high intelligence in determining a man's success or failure as a business leader.

"Over and above a certain amount, I. Q. is not terribly important," Dr. Rock told NATION'S BUSINESS, "but personality is.

"The study shows that different kinds of situations call for different kinds of executive qualities. There is no such thing as a leadership stereotype. Leaders

are leaders in various ways. They might be likened to members of the animal kingdom in the diverse traits they need. You have, so to speak, tigers, elephants, skunks, mice and eels." The eel? "He's the man who constantly progresses upward through the ranks, but just what it is that propels him is hard to get hold of."

Dr. Rock argues that previous attempts to define essential executive qualities with such terms as aggressiveness, loyalty, and so on, have been too loose.

"In our study," he continues, "we got down to more fundamental psychological strengths—psychochemistry, if you will—and found that these strengths are required in various combinations, depending on the environment in which the leader works."

Where weaknesses hurt

In general, failing executives were found to be seriously weak in one or more of these areas:

The capacity for independent thought and action.

The capacity for independent decision-making.

The capacity to provide strong leadership.

Perhaps the key phrase is the capacity for independent thought and action, for the researchers—to their satisfaction, at least—concluded that the lonely burden of final accountability is the major cause of failure for many executives.

"Some of our failures could have been successful had they remained in a middle-management slot where they didn't have to carry this burden," explains Dr. Piotrowski. He characterizes the successful men as those who are self-confident, who have few inner conflicts, who like people and don't waste time on trivial, obsessive details of getting a job done. The failure-prone, on the other hand, generally are found to be basically fearful, passive, want and need support of others, lack self-confidence, dislike people, have trouble handling their anger and tend toward obsessiveness.

Dr. Piotrowski hastens to admit that all people, to some degree or other, have emotional problems. These problems, if controlled, are no bar to successful assumption of a key job in business or industry. But, if control becomes difficult or impossible, failure in the job almost invariably results.

Both Drs. Piotrowski and Rock feel that the research provides a tool with which management in the future may be able to predict the capacity of an individual to handle top-level responsibility. They are encouraged in this belief by the close parallel between an executive's performance in the series of intelligence and psychological tests which they administered and the actual performance of the man on the job.

In an ink-blot exercise for example, the way in which subjects reacted yielded what the researchers consider to be significant clues to how a man would stand up under the pressure of a company presidency. Men who saw in the ink splatters figures engaged in forceful, confident, uninhibited action—in situations of free movement or even gaiety—tended to be successful.

But those who saw in ink smears a menacing figure, or a situation of frustration or passivity—such as an animal bowed under the weight of another animal —generally proved to be only intermediate successes or actual failures.

The executives were tested only once. Follow-up

TRITSCH-PIX



Can the success—or failure—of a business executive be foreseen? The psychologists shown at left believe the answer is "Yes." Supporting their belief are findings of a unique four-year look into the careers of high-ranking managers of more than 100 companies. Pictured, left to right, are Drs. Milton Rock, Zygmunt Piotrowski and Charles Lynch, all of Philadelphia. Highlights of their research are reported in this article.



TO STAY ON TOP

continued

evaluation was made possible by frequent checking of job performance and an exchange of observations between the researchers and directors or other officers of the participating companies.

Practical measurements were employed to determine whether a man was succeeding or not. He was studied for indications of continued success—increases, rather than decreases, in his personal income; additions to, rather than subtractions from, the amount of responsibility he carried; improving, instead of failing, company or division profitability as a result of his work.

Failure, when it came, was no respecter of special situations. Thus, in two family-owned businesses, men who rose to presidencies by virtue of their family connections and stock ownership led these companies to the wall and had to abandon their leadership to outsiders.

Why isn't proneness to failure spotted earlier, when it can be headed off?

Dr. Charles H. Lynch, an Edward N. Hay psychologist who worked on the research project, says "benevolent protectors" in a company often cover up a manager's inherent weaknesses so that they don't show up until the individual has risen to the topmost rung. A good antidote for overprotection, Dr. Lynch suggests, is to set up organizations so men's ability to act independently and responsibly can be tested and observed early in their careers.

The next step in the study, Dr. Rock says, will be an analysis of the kinds of management teams which executives assemble around themselves. More information in this field could be of value in corporate manpower planning.

Dr. Lynch explains that in the beginning the researchers assumed that successful bankers and manufacturing company presidents might be quite different in their make-up from top executives in other lines. "Yet we found," he says, "that the differences are largely in technical knowledge. Similarities come in high mental capacity, problem-solving ability, the capacity to handle the stresses of accountability, and leadership skills."

Even a cursory review of the histories of companies, or nations, reveals that it is the test at the top which is most crucial in a man's development, according to Dr. Rock. He cites the example of George B. McClellan, the Union general in the Civil War who was relieved by President Lincoln after dawdling away military opportunities that might have materially shortened the conflict.

From the example of General McClellan, Dr. Rock has come to look upon the case histories of business executives who succeeded or failed as a chronicle of "successful generals and fallen generals."

At one point in their report, the researchers declare:

"Our findings point to one overwhelming difference between the successful and the unsuccessful top executive—the man who continues to be successful demonstrates a great deal of self-confidence, while the failing man shows weakness in this respect. The continually successful top executive accepts himself as he is. He seeks to realize the specific potentialities of his personality, and he is not ashamed of being what he is.

"The failing man, on the other hand, is sometimes hesitant; he is not consistently a leader, and he occasionally gives in to a strong temptation to be a follower, so as to shift responsibility for his decisions and actions onto someone else. The failing executive is sometimes unsure of himself; he is self-critical and at cross-purposes."

Drs. Rock and Lynch feel that the study is a step toward giving business not only an improved tool for evaluating managerial potential, but an aid in pinpointing men around whom companies should build their training programs.

"The techniques we used can help you get an advance feel for a man's capacity to accept accountability," says Dr. Rock. "The tests are not perfect. We admit that. But we also believe that this study constitutes a long stride forward." **END**

Federal agents would dig deeper into your files if new antitrust chief gets his way. He tells goals that will affect you in interview on page 39



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KEY TO '64 GROWTH

continued from page 33

number of youngsters reaching the ages of 17 and 18 is rising rapidly, and many of them will buy cars. Replacement demand is rising rapidly, since scrapping of older automobiles also has increased substantially.

Refinancing of home mortgages and the use of the proceeds to buy durable consumer goods is a rising tendency.

Finally, credit is ample, and competition among installment lenders is keen. While the volume of consumer loans has increased rather sharply in recent months, so have the liquid assets of individuals and disposable personal income.

Consumer spending on nondurable goods and services will continue to rise, reflecting primarily the rise in population and the increase in living standards based on rising income. The consumer, therefore, should continue to be a strong force in the economy during 1964.

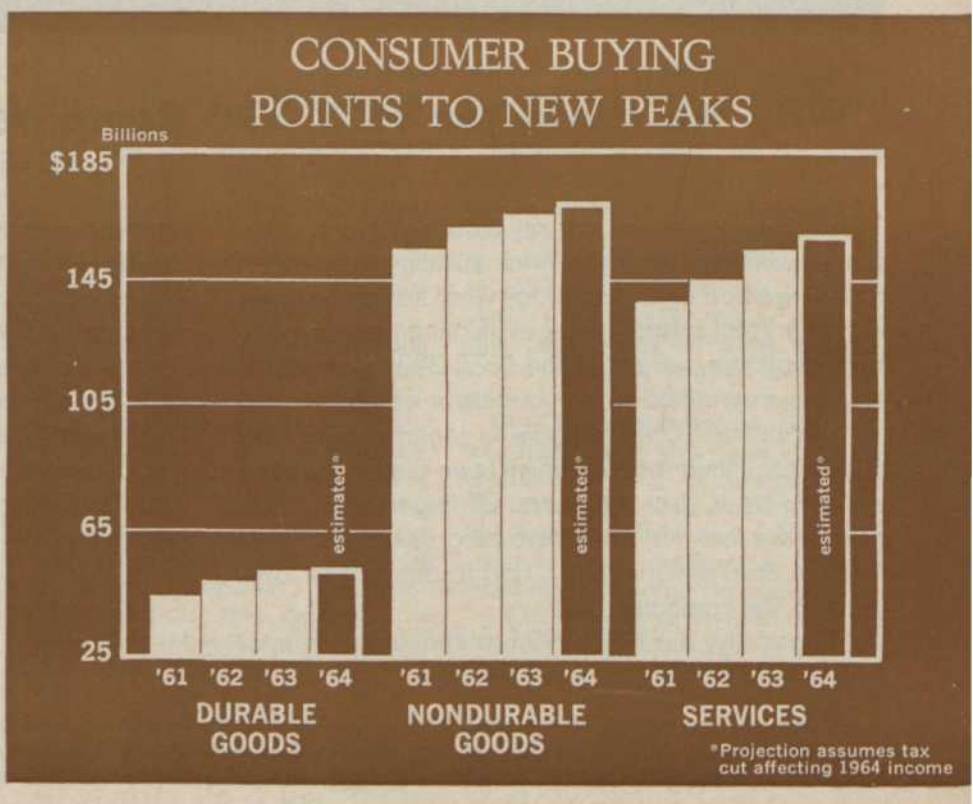
Capital expenditures by corporations on plant and equipment should continue to rise. The internal resources of corporations are large and rising, and a reduction in corporate taxes will be helpful.

A vast amount of money is spent on research leading to new products and new methods of production. Competition, domestic and international, is keen, thus making it imperative for producers to acquire the latest labor-saving devices. The increase in capital expenditures, however, will not be extremely large, because some industries are still operating with excess capacity and new plants and equipment will further add to the idle capacity.

Some factors uncertain

Inventories will not play an important role. Distributors are assured of quick delivery and management is using modern electronic equipment to regulate the flow of inventories in order to reduce costs. Since the ratio of inventories to sales is rather favorable, a moderate increase in inventories in the early months of 1964 can be expected.

In construction, a vital sector of the economy, there are certain elements of uncertainty and conflicting trends. The supply of homes, new and old, is large. The market for older homes is rather sluggish, and prices of new homes are high. The trend toward multiple dwelling units is strong and will continue. Because of the oversupply, there





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OCCIDENTAL LIFE OF CALIFORNIA

KEY TO '64 GROWTH

continued

will be a slow-down in the construction of expensive apartment houses as well as of office buildings and hotels. However, an increase in construction of public works and public housing is expected. It is not clear at present how much the construction industry will influence the trend of business activity.

Federal, state, and local government expenditures are rising.

However, the effects of increased federal expenditures on the economy are not as potent as before because some of the projects, such as space research and development, while very costly, do not create a strong demand for material and labor.

The greatest influence that government can exercise on business activity is through tax reduction. Failure by Congress to pass sound tax legislation would adversely affect the economy and could easily lead to a moderate decline in business activity in early 1964.

These facts are well known to the Administration as well as to Congress, and it is generally expected that a tax bill will be passed with the first reductions effective as of the beginning of 1964, and thus contribute to the continued improvement in business activity. **END**

YOUR TAXES

continued from page 37

the U. S. A newly approved $200,000 project ($100,000 footed by U. S. taxpayers) involves widening and resurfacing of Westfield streets, improving street drainage, and building sidewalks. This work will take place mainly in a handsome residential section.

In Miramar, Fla., 10 miles north of Miami and immediately west of Hollywood, three APW projects were applied for and all three were obtained. One of the projects is a newly completed, one-story city hall, which also includes space for police and volunteer firemen. Cost of the building: $255,000. U. S. taxpayers' share: $125,000. Miramar, operating in the black, has no real estate or personal property taxes, drawing its income entirely from building permit fees, a 10 per cent tax on utility bills, a franchise levy on utilities, and other sources.

Joseph J. Tagg, administrative







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YOUR TAXES
continued

assistant to the mayor, says: "Without the federal grant we probably would have put off building a new city hall until the public demanded one. We have been getting along very well as we were."

In Hollywood, Fla., where the broadwalk has been extended one and a quarter miles, City Engineer Peterson says that projects in his county—for which nearly $2 million in federal funds are being spent and another $1.8 million recently granted—have "very slightly" reduced unemployment. Reducing unemployment is ostensibly the prime purpose of the program.

The contractor for the broadwalk hired no new employes, he says. (Hollywood, incidentally, uses the word broadwalk, rather than the traditional boardwalk because it is made of asphalt instead of boards.)

"My own opinion is that the accelerated public works program does not accomplish the good that Washington expects . . . to put it under the guise of creating employment is a misnomer," Mr. Peterson says.

He adds that the prospect of getting APW funds actually held up expansion of water and sewer facilities to serve some 4,000 people in areas annexed by Hollywood in 1962-63.

In Charleston, W. Va., city officials got a grant of $566,000 for a city incinerator to burn refuse. Total cost of the project is estimated at $1,118,000, with the cost difference to be made up partly by a local revenue bond issue. No local tax money will go into the project, nor will charges for refuse collections be increased.

Charleston's new incinerator will replace one built in the depression under WPA.

The city also is preparing an application for further federal help



Subway concourse in Philadelphia, usually of concern only to local citizens, now is of interest nationally since federal taxpayers have put up $159,850 toward project's expenses

At the same time the municipal government cut local taxes, Westfield, Mass., obtained $35,000 of national tax funds to help pay for building this new garage for city-owned trucks



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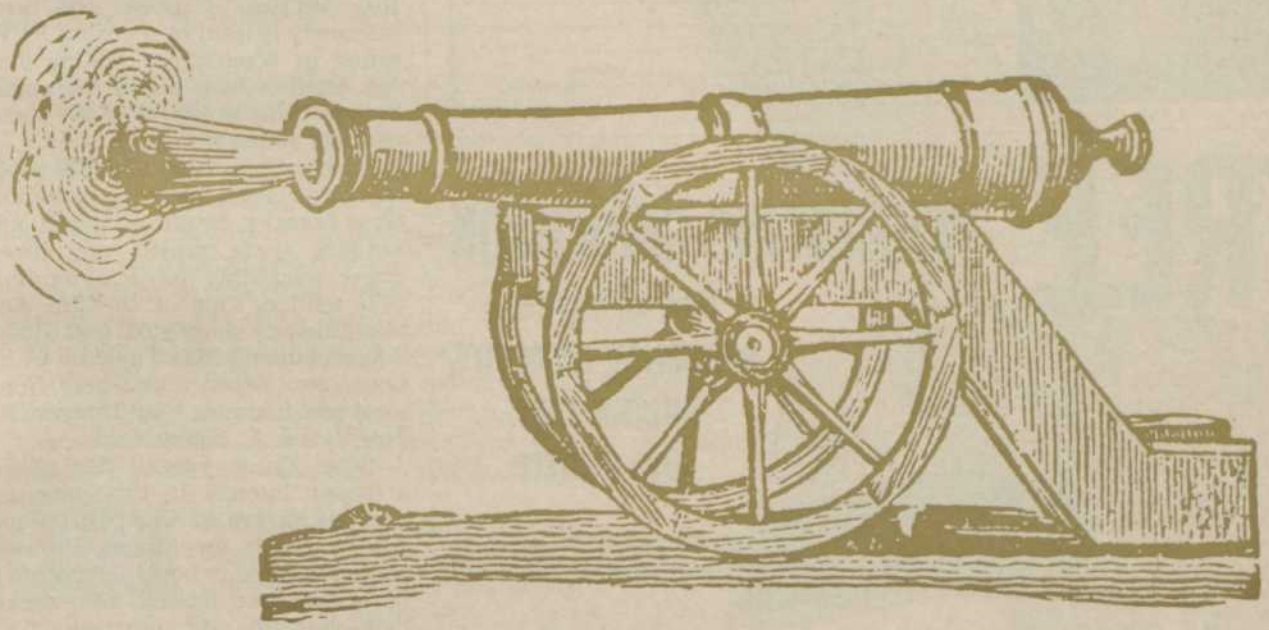
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YOUR TAXES

continued

for a $1 million enlargement of a civic center, including construction of a skating rink. Here again, the local matching fund would be financed by revenue bonds redeemed by user fees and not local taxes.

In Philadelphia, one project being "accelerated" is the $1.4 million modernization of an exhibit hall in the Convention Center. This work was scheduled to be done by the city itself this year and was speeded up by three to six months at best when federal money became available. Philadelphia has a six-year capital improvements program, but has decided not to increase its own spending because of the availability of federal grants. At one point recently, approval had been obtained on 23 projects to cost a total of $12,379,200, of which taxpayers of the country will pay almost half.

The top adviser to Mayor James H. J. Tate on city development says Philadelphia's powerful Democratic Rep. William J. Green has been extremely helpful in speeding APW action in Washington, adding that Mr. Green's help would be sought in expediting approval of five more pending projects.

In Miami, nine of 18 APW projects have been okayed, including three libraries, two fire stations, one sanitary sewer project and three street rebuilding projects totaling $1.6 million. One of the fire stations, already completed, cost $135,000, including $48,500 paid by U. S. taxpayers. Asked about help from local congressmen, City Budget Officer James L. Harris said:

"Rep. Dante Fascell has taken a strong interest in this program and has always worked hard to get federal grants for Miami. I guess we're fortunate in being represented by a man like Fascell, who ranks high with the Administration."

In Raleigh County, W. Va., where a grant of $1.2 million was secured to help develop a man-made lake, knowing the right people in Washington played its part. County Court President John C. Ward (President Kennedy's county campaign manager in the critical West Virginia primary of 1960) met in Washington with Richard K. Donahue, a White House aide, to urge the lake project along.

Mr. Ward says of West Virginia Sen. Robert C. Byrd: "He sure did knock a lot of heads together to get this project through."

In Bluefield, W. Va., U. S. tax-



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YOUR TAXES

continued

payers are paying $190,000 of a total cost of $380,000 for addition of two more decks to a city-owned, fee-charging parking garage. The rest of the funds will come from revenue bonds, which will be retired from the public parking authority's fee income.

To beat a tight starting deadline, Bluefield had to rush its plans. As a result, says City Manager R. G. Whittle, Jr., one of the ramps in the garage is being erected in the wrong place.

APW has stimulated local spending in Bluefield, however. A $318,000 grant for a flood control project, which the city is matching on a one-third basis, helped swing a local bond issue for a total of $540,000. These funds will be used for more than $300,000 of strictly local public works projects, in addition to matching the federal grant.

In New Brunswick, N. J., a NATION'S BUSINESS editor encountered added evidence of the role which politics plays in the program. (APW is putting $2 million into the new Middlesex County Administration Building and $150,000 into street improvements.)

In last year's congressional election in a newly created district it was feared that a hot primary fight might hurt Democratic chances as a result of a split in party ranks. Just before election, the Area Redevelopment Administration announced grants for seven projects in the district. Edward J. Patten, hand-picked choice of local Democratic chief David T. Wilentz, a close friend of President Kennedy, was elected. But later, five of the seven projects were dropped as not meeting the APW requirements.

In Asbury Park, N. J., City Engineer Leon S. Avakian asserts that, "If you're not on the ball, you'll never get anything."

Asbury Park has gotten federal approval of two projects—1,300 feet of boardwalk ($224,000) and a new water well ($128,000) with APW putting up half the cost. In addition, the city has approval for other projects, including a library renovation.

Mr. Avakian says he worked with Timothy Burke, field man for the Housing and Home Finance Agency, in getting a fast go-ahead on the boardwalk project and repairs to a city pavilion destroyed by fire on August 6.

"Burke knows all the ins and outs," says Mr. Avakian. "We already had the plans for the water well and the boardwalk, but the cost was too high until APW came along. Then we shot the plans right in. We also went to Philadelphia and took the papers from office to office to get the necessary approvals. This is a Republican area, but these fellows treat us wonderfully."

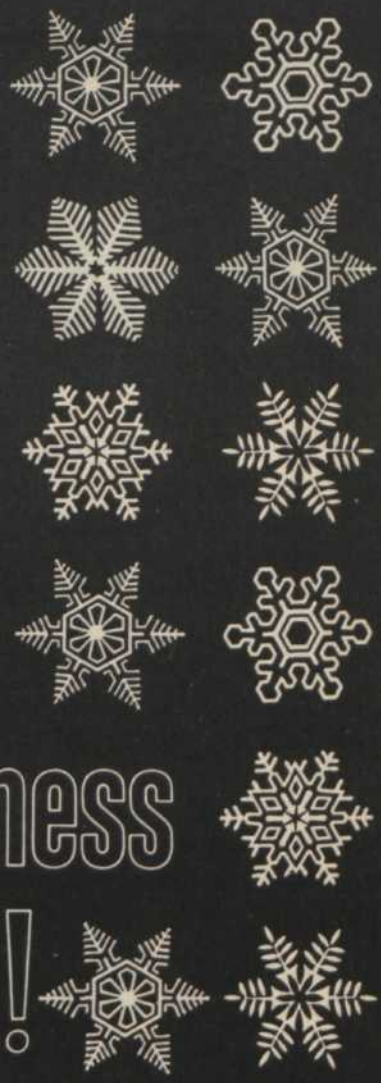
Last month, another fire swept Asbury Park's oceanfront, damaging a second city-owned pavilion and destroying 900 feet of boardwalk entirely separate from the walkway consumed Aug. 6. City Manager Kendall Lee told NATION'S BUSINESS he would seek APW grants to

(continued on page 122)



Fire station to which U. S. taxpayers contributed $48,500 is only one of 18 APW projects for which Miami, Fla., has applied. Total cost of those approved will be $1.6 million

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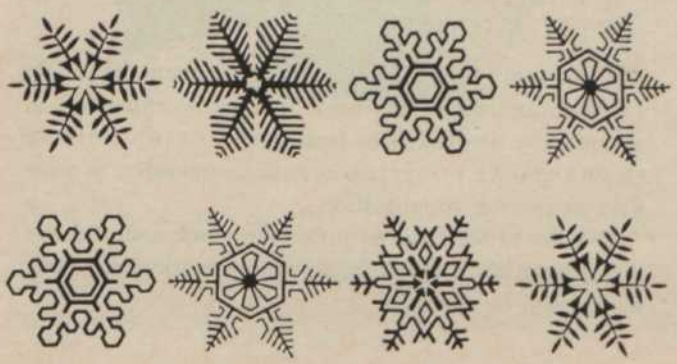
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There is this you can do for your country

With an election coming up, there is this you can do for your country: You can work in the political party of your choice. You can help select and nominate intelligent, honest, open-minded and reasonably objective men and women to public office—and *elect* them.

To equip and encourage businessmen and others to be more active and more influential in politics, in the public interest, the National Chamber sponsors and promotes an ACTION COURSE IN PRACTICAL POLITICS.

The ACTION COURSE IN PRACTICAL POLITICS is nonpartisan. It shows the individual how to work in the political party of his choice. It is designed for groups of 12 to 20 persons.

The Course consists of nine two-hour workshops—to be held once a week—and to be sponsored by a business firm, service club, women's group, school or college, local chamber of commerce, trade or professional association, or political organization.

MATERIALS

The work materials for use in the Action Course, are these:

PAMPHLETS—Eight booklets, covering every important phase of politics.

CASE PROBLEMS — To-the-point descriptions of actual political problems common to most communities —for use in the workshops.

ASSIGNMENT GUIDES—Outlines showing how and where to get information about government and the political parties in the local community, county and state.

DISCUSSION LEADER'S MANUAL — Shows the discussion leader how to set up and conduct the workshops.

WHAT THE WORKSHOPS COVER

Each workshop is a discussion session, no lectures. Each workshop is devoted to one important aspect of politics covered in one of the booklets.

Here is an outline of what each of the nine workshops does for the participants:

1. *The Individual in Politics*—Tells why the individual citizen should be active in politics, and shows the ways in which he can work effectively in the political party of his choice.

2. *Political Party Organization*—Shows how the major political parties are organized.

3. *The Political Precinct*—Shows how to get started in politics. Discusses the functions of the precinct leader and worker — key figures in the outcome of every election.

4. *The Political Campaign*—Shows how to plan, organize, and conduct a political campaign. Also: how to raise money; how to get out the vote; how to influence the undecided.

5. *Political Clubs*—Describes various types of political clubs: shows the part political clubs play in winning elections. Tells how to organize a club and how to develop a program of activities.

6. *Political Leader's Problems*—Discusses the political leader's problems—how to train party workers so that they will work with zest and understanding; how to keep the people in the party *pulling together* to win the election.

7. *Political Meetings*—Shows how to plan, promote and conduct a smooth-running, persuasive and result-getting political meeting.

8. *Businessmen in Politics*—Shows the part business firms and voluntary associations of businessmen can play in politics.

9. *The Politicians Speak*—In this final workshop, the participants in the Course sit down with experienced political leaders of both parties, from the community, county and state—and talk over with them actual political operations, tactics and problems.

ACTION COUNTS

The power of the government derives from the people —but to amount to anything, it must be expressed in action. You are urged to launch an ACTION COURSE IN PRACTICAL POLITICS in your community, in your firm or in your organization.

Use the order form to order the work materials. If these materials are not up to your expectations, your money will be refunded.

COMMENTS BY CONGRESSMEN

"As a graduate of the Action Course, I can well appreciate its value . . . Many of my top campaign organization leaders had taken the Course and applied the knowledge derived to good use in the campaign."

Congressman Bill Brock
Tennessee

"A considerable number of people who have taken the Course were active in the campaign. To my way of thinking, they contributed materially and substantially to our successful campaign."

Congressman E. Ross Adair
Indiana

"The Chairman of our precinct organization stated that those who have taken the Action Course are 'three cuts above what you normally find for such work'."

Congressman H. Allen Smith
California

"The Action Course instruction received by several of my friends in three counties made them effective workers. They had never before taken part in politics, but the Course aroused their interest and led them into active participation."

Congressman John Dowdy
Texas

"Many Action Course graduates were active in my campaign."

Congressman James B. Utt
California

"Many of those who were active in my recent campaign were graduates of the Action Course. As the political system becomes more complex, there is going to be an even greater need for those who have completed this excellent Course."

Congressman Donald C. Bruce
Indiana

"Several very effective workers (in my campaign) were trained in the Action Course."

Congressman Robert McClory
Illinois

"Many of the graduates of the Action Course participated in my campaign this year. They did an excellent job and seemed to have a dedication to purpose that was lacking in prior political activity."

Congressman James F. Battin
Montana

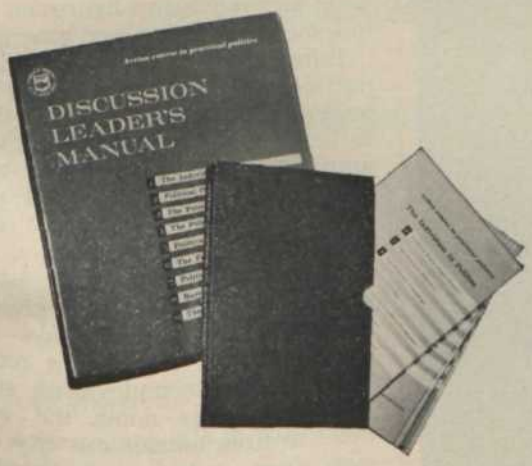
"In my campaign, there were several persons active who had taken this Course. They were very effective workers."

Congressman
John O. Marsh, Jr.
Virginia

"The Action Course motivated and equipped quite a large number of people in my Congressional district and I benefited greatly from their know-how."

Congressman Albert H. Quie
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replace the boardwalk burned in the latest fire, and also to help rehabilitate the second damaged pavilion.

"We're a depressed area and we can't handle these projects without federal assistance," Mr. Lee said. "Besides," he added, "only the federal government has the money to finance construction of monumental-type buildings like our pavilions. They are a page from the past that we would like to preserve."

In Hoboken, N. J., the city council rejected a $715,000 grant for recreational facilities approved by the federal government and refused to raise $745,000 in local matching funds. The opposition was led by Council Chairman Edward J. Barrone, who argued that the city needed sewers and other facilities more than recreation. He says:

"We have been losing industries because of inadequate facilities and a rising tax rate which is $125 per $1,000 valuation. I didn't think the new recreation facilities justified the higher taxes."

The project was supported by Mayor John J. Grogan, international president of the Marine and Shipbuilding Workers Union. It became a local political issue and a slate backed by the mayor lost four seats to opponents of the project.

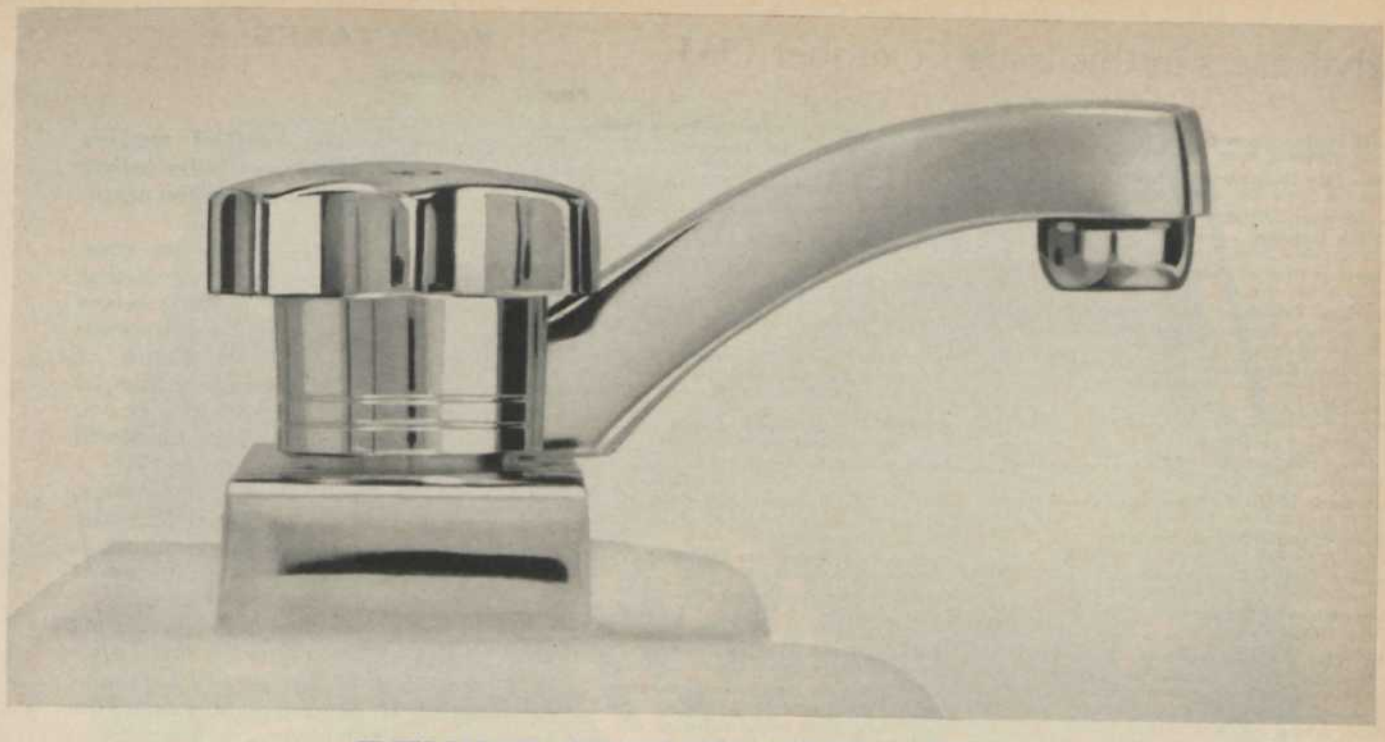
Area Redevelopment Administrator William L. Batt, Jr., claims that a total of 8,205 man-years had already been worked on APW projects as of June 1 this year. Inquiries by NATION'S BUSINESS in various sections of the country failed to yield any conclusive figures on just how many jobs have been generated.

Individual contractors told of putting on seven, or ten or 15 or more additional men here and there to handle work stemming from the grants, but a number of contractors said these increases in their payroll probably would have come about anyway.

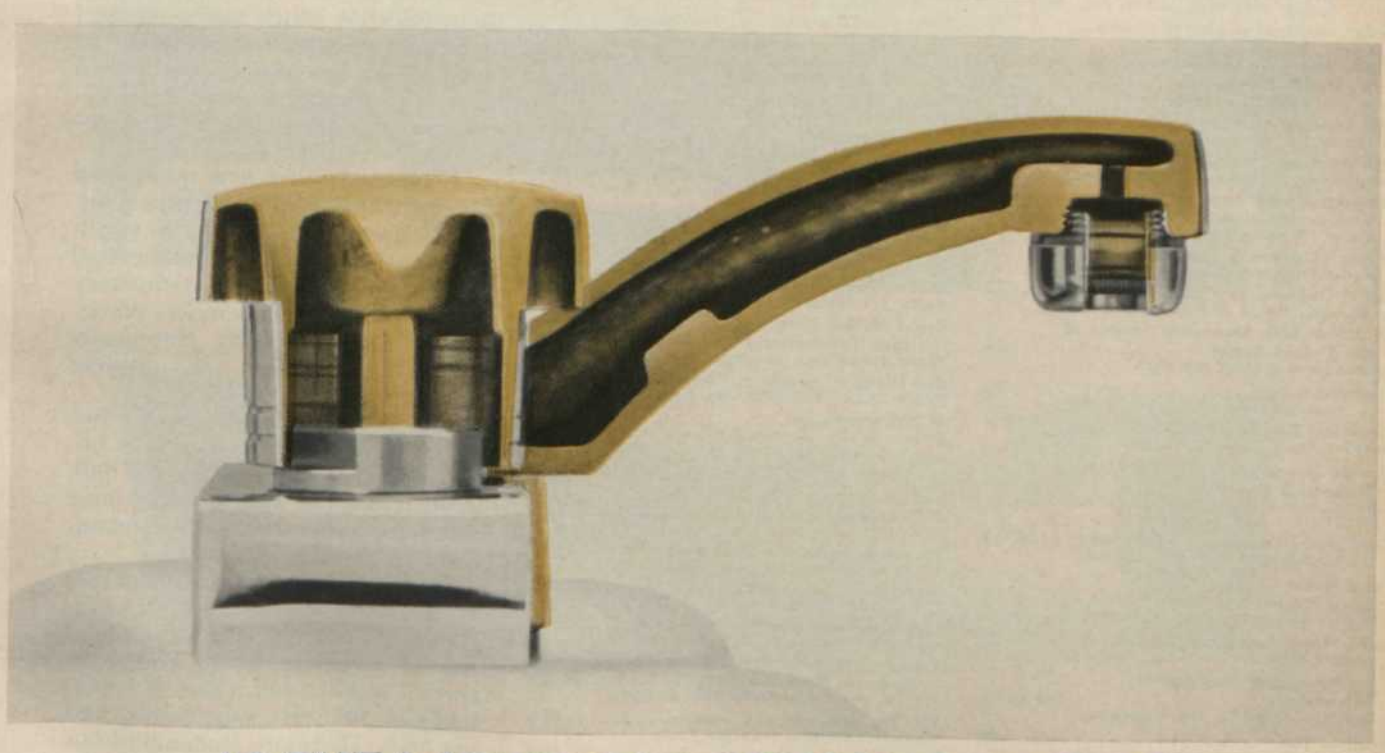
An official of Alma, Mich., where three APW projects were given a Washington go-ahead, says the grants did not result in a reduction of local unemployment, since "the contractors doing the work came in from outside our city and even from outside our county—and brought their own employes with them."

(In one Alma project a snack bar, TV room and game room are being added to an existing recreation center.)

In many instances, as in New



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IS THE LASTING LOOK OF ALL-BRASS

. . . *All-Brass for lasting beauty and performance. All-Brass because brass resists corrosion better than other metals. In short, fittings of brass last longer and work better.*

We didn't say this. Kohler of Kohler did in a recent magazine advertisement featuring the faucets above. We, of course, agree with them wholeheartedly.

Brass has the strength needed to stand up in tough jobs like this —keeps working like new long after other metals would call it quits. And it's the ideal metal for holding on to a bright chromium finish. In plumbing fixtures, builders' hardware, appliances, industrial equipment — wherever you want things to give lasting value — brass, bronze, and other copper metals are your best buy. The Anaconda Company, 25 Broadway, New York 4, N. Y. 6301

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YOUR TAXES

continued

Brunswick, the kind of workers hired are skilled men who belong to unions and are not on the unemployed rolls.

Similarly, officials of some communities seem unsure as to whether or not the federal spending serves to trigger increases in local spending. Mayor John W. Smith of Beckley, W. Va., where a municipal building and garage got U. S. money, said no more local funds will be spent as a result of APW.

Mayor Smith's town, like others, had its own unbudgeted and idle funds at hand and was operating in the black when it applied for grants from the federal government.

The mayor says Beckley is going ahead with plans for six other projects, to have them ready for application if more federal money becomes available.

Asked what the city would do if the program were not extended, he said Beckley, which has no general bonded indebtedness, would go ahead with the projects on its own through revenue or general obligation bonds—admittedly at a somewhat slower pace.

Economists have long questioned the benefits of public works projects, especially those of the small-scale variety typified by accelerated public works. But even temporary employment is some relief, particularly in areas with chronically excessive number of jobless workers.

The political appeal of accelerated public works, however, is undeniable. A bridge—or a city hall, a fire house or a boardwalk—may stand for generations, as a monument to politicians' deeds.

Rep. Joe L. Evins of Tennessee declares in his new book, "Understanding Congress," " . . . the Member of Congress is, of course, a special pleader and a sort of superlobbyist for his constituents and his area. There are students of our government who have deplored this aspect of a congressman's responsibility. In my view, his responsibility here is fundamental to our form of government."

Many others, however, are convinced that the nation is not served best by the tug-of-war of individual interests, but by a dedication to the national interest. They are convinced that public works pork-barreling is both unethical and unneeded in conducting sound government and winning elections. **END**



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We save you that on every mile.

Most trucks cost about 6¢ a mile to run. Ours works for 2½¢.

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Even our new engine saves you money. It's 25% more powerful than last year's, yet it burns about the same gas.

(You should get 20 mpg on regular or better.)

Surprisingly, the 2½¢-a-mile Volkswagen only costs $1995† in the first place.

So you're a few hundred ahead before you drive an inch.

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On the old frontier, a sheriff relied on his two guns to protect law-abiding citizens who came to town to buy supplies.

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The Food, Drug and Cosmetic Act outlaws labeling that is "false or misleading in any particular" and any container that "is so made, formed, or filled as to be misleading."

The Federal Trade Commission Act outlaws all "unfair methods of competition . . . and unfair and deceptive acts or practices in commerce."

The men responsible for enforcing these laws have conceded their potency for protecting the consumer from dishonest labeling or packaging.

Yet Michigan's Senator Hart and other politicians are campaigning for a new law covering the same territory. The reason is puzzling in view of the existing laws. Could it be a bid for consumers' votes in next year's campaign?

We need another law about like a straight-shooting sheriff needed a third gun.







ONE MAN





ONE FORD







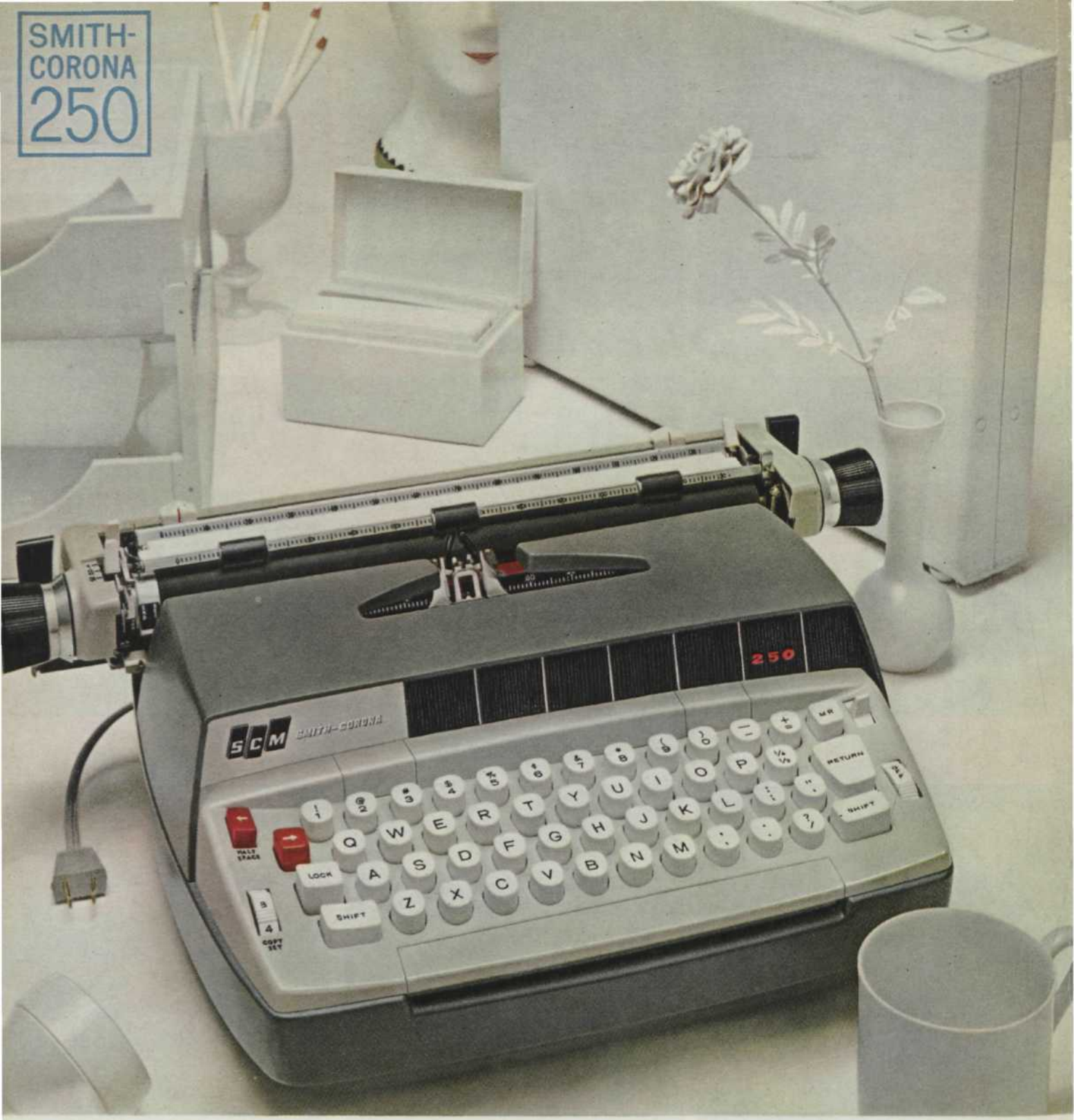


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